

Voluntary Separation Incentive Pay (VSIP) Phase II

VSIP is one of the most successful tools employed by the Department for reducing our civilian workforce; however, most incentives have been paid at activities that are closing or being downsized significantly. In an effort to increase VSIP use, the Department developed and implemented VSIP Phase II in May of 1994. The expanded program allows the use of VSIP at non-downsizing activities. This overview is intended to provide information on current program guidance, which will eventually be published in Subchapter 1702 of the DoD Civilian Personnel Manual (DoD 1400.25-M).

Through the VSIP Phase II, non-downsizing activities can create vacancies to place surplus employees from other activities. VSIP costs and PCS costs, if any, are paid by the downsizing activity. The program is particularly helpful to closing or heavily downsizing activities that have no placement opportunities left within their own workforce. However, VSIP Phase II also provides two major benefits to non-downsizing activities:

- It allows activities to offer incentives to employees who (because their own activities are not downsizing) would normally not be able to take advantage of VSIP.
- It provides activities with an opportunity to reshape their workforce. Reshaping is possible, because although activities must place an VSIP Phase II registrant in the vacancy created by the incentive taker, they can restructure the position to another series and/or grade.

VSIP Phase II is operated through the PPP under program guidance issued on May 9, 1994, which is attached below. All participants must be registered in Program A as Priority 1 registrants who have not yet been separated. Adding one of the following VSIP codes to the Program A registration activates referral under VSIP Phase II:

01	Registrants who are within 120 days of separation and who have either received a RIF separation notice or are scheduled to receive such a notice.
02	Registrants who have not received a RIF separation notice and/or are not within 120 days of separation, but have been approved for referral to all Components by the Component and CARE Coordinators.
03	Same as 02 above except approval is required by Component Coordinator only and referral is restricted to the same Component.

All DoD activities, unless they have an exception from their PPP Component Coordinator, are required to monitor the VSIP Skills List on the Automated Stopper and Referral System (ASARS) web site to determine whether VSIP participants are registered for placement for their activity. If a match occurs, activities must determine whether they

have any employees in the appropriate series and grade wishing to take VSIP. The activity with the prospective VSIP taker than works with the activity supporting the surplus employee to decide if the employee is fully qualified and, if so, to make the VSIP offer and placement arrangements.

For each voluntary early retirement, the individual retirement record (Standard Form 2806 for CSRS or Standard Form 3100 for FERS) must show the appropriate CSRS or FERS authority. A statement similar to the following should appear on the last line used for the service history portion of the form: RET 5 U.S.C. 8336(d)(2), or RET 5 U.S.C. 8414(b)(1)(B); OPM Authority Number*.

Standard Forms 50 used to separate employees who are retiring under this authority must use the appropriate nature of action codes:

<u>Block</u>	<u>Code-CSRS</u>	<u>Code-FERS</u>
5-A	303	303
5-B	Retirement-Special Option	Retirement-Special Option
5-C	V3P	USM
5-D	5 U.S.C. 8336(d)(2) RIF (CSRS)	PL 99-335
5-E	AZM	AZM
5-F	OPM Auth No.*	OPM Auth No.*

* New authority number is provided annually.

If after reading this information and the May 9, 1994 guidance, you have any questions, please contact your CARE Program Coordinator.

MEMORANDUM FOR COMMANDERS AND ACTIVITY HEADS

SUBJECT: Expanded Voluntary Separation Incentive Pay (VSIP) Program – Workforce Shaping

Voluntary separation incentives have been highly successful in reducing our civilian workforce and avoiding unwanted disruptions throughout the Department of Defense (DoD). Without them, the DoD's downsizing would have been truly devastating. Because of this success, activities affected by downsizing already understand and appreciate the value of the VSIP program. However, those not affected by downsizing or who now have a stable workforce may not be aware that they may also benefit from the use of separation incentives through the Department's Expanded VSIP Program. The Expanded VSIP Program provides an excellent opportunity for your activity to reshape and revitalize the workforce.

In May 1994, the DoD implemented a placement program to use separation incentives on an expanded basis. This program authorizes managers at non-downsizing activities to use buyouts to create vacancies. These vacancies must be used to place surplus employees who are facing reduction in force separation at other DoD installations and who are registered in the program. While the vacancy must be used to place one of the registered employees, it may be restructured to a different series, a different grade, or to a different series and grade. This allows management to reshape the workforce, so that any newly created positions match current skill requirements. The buyout payment and associated PCS costs, if any, are paid by the activity where the surplus employee was displaced.

In addition to allowing reshaping, the Expanded VSIP Program allows non-downsizing activities to offer some of their employee's buyouts and Voluntary Early Retirement Authority (VERA). Since so many DoD activities are offering buyouts and VERA, many employees of non-downsizing activities are anxiously awaiting an opportunity to take advantage of these programs. Expanded VSIP provides the only method for offering these benefits to many employees who would otherwise have no opportunity to participate.

Activities that choose to take part in this placement program can expect the same significant returns experienced by others. Incentive costs are prepaid by another activity, a deserving employee is given the opportunity to benefit from VSIP and VERA, and ultimately, a well-qualified employee is placed in the vacancy.

Your supporting civilian personnel office should be able to answer any questions you may have on the Expanded VSIP Program. Program guidance is available to your personnel advisors via the Priority Placement Program, Automated Stopper And Referral System (ASARS). Should you require more detailed information, you may contact the CARE staff at (703) 696-1799 or DSN 426-1799.

G. Jorge Araiza
Chief, Civilian Assistance and
Re-Employment Division

cc:
DoD Component Coordinators
Regional Coordinators
Deputy Director for Operations, CARE

9 May 1994

MEMORANDUM FOR All DoD Activities

FROM: DoD Zone Coordinator-East (DoD/ZC)
320 2nd St. Ste 120
Robins AFB GA 31098-1638

SUBJECT: Expanded Voluntary Separation Incentive Pay (VSIP), Phase II Program

1. This is your authority to solicit VSIP applications at your installation from employees whose positions can be used to place employees of authorized DoD activities who are scheduled for separation by reduction in force (RIF). A list of target skills and grades of employees to be placed has been distributed to your activity.
2. Any of the target skills in which you plan a RIF may be excluded from the expanded VSIP. Skills and grades excluded must be reported to the Office of the DoD Zone Coordinator-East, and employees in these skills should not receive the application form. If you are offering VSIP at your activity, you should place your surplus employees first, then attempt to place other DoD employees if there are no surplus employees for a given skill.
3. If your activity is currently under a hiring freeze, you may wish to use the expanded VSIP authority to correct skills imbalances. If there are surplus employees in a skill that is not included on the list of target positions and a shortage of employees in a skill that is included, you may offer the VSIP to the surplus employees in order to place other DoD employees in the shortage skill. Placements under the expanded VSIP need not match skill-for-skill as long as the incentive creates a vacancy that saves an authorized employee from involuntary separation.
4. The Voluntary Early Retirement Authority (VERA granted by OPM to DoD is extended to gaining Activities in this expanded VSIP. Your authority for approving early retirements is VERA 9460 (no longer valid). A copy of the implementing instructions for Phase II VSIP are attached.

GENE POLLARD
DoD Zone Coordinator-East

Attachments:
Implementing Instructions w/attachments

VOLUNTARY SEPARATION INCENTIVE PROGRAM (VSIP) PHASE II IMPLEMENTING INSTRUCTIONS

Pursuant to 5 USC 5597, the Office of the Deputy Under Secretary of Defense (DUSD) for Civilian Personnel Policy has authorized expanded utilization of Voluntary Separation Incentive Pay (VSIP). These instructions will be used to implement VSIP Phase II, which governs the application of VSIP across activity and Component lines.

Within the contiguous United States and the District of Columbia, separation incentives and voluntary early retirement will be offered to create vacancies for the placement of employees who are subject to involuntary separation by RIF. Positions vacated by incentive recipients will be filled through the provisions of the VSIP Phase II, which is also referred to as “Expanded VSIP.”

GAINING ACTIVITY PROCEDURES

A. **WORKFORCE SURVEY** – Potential gaining activities will survey their work forces for general interest in the VSIP. A sample survey format is provided at Attachment 1. Commanders may exclude specific skills from the VSIP, but only in compelling circumstances, e.g., when critical work of a project nature would be unreasonably disrupted. Exclusions encompassing entire organizations must be approved by the PPP Component Coordinator and coordinated with the CARE Office. **A positive response to the survey does not constitute an application for voluntary separation.**

B. AUTOMATED STOPPER REQUISITIONS

1. Gaining activities will requisition the Automated Stopper to match their Survey respondents with available VSIP Phase II. There is no requirement for an exact match of skills and grades when filling positions vacated by incentive takers. If the gaining activity intends to fill a position at a grade or in a skill other than that held by the survey respondent, the requisition should be submitted accordingly. For example, an activity with a surplus of WG-11 Machinists and a shortage of WG-10 Welders may elect to submit requisitions for WG-10 Welders when WG-11 Machinists respond to the VSIP survey.
2. Requisitions will be submitted using Referral Code “V” and “VSIP” as the first four characters of the Requisition Control Number. Requisitions will be matched against the current permanent grade of Priority 1 registrants from the expansion activities. If preferred, the gaining activity can request matching against all grades by using Referral Code “X” instead of “V”.

3. Human Resources Offices (HROs) may establish periodic cutoffs for the receipt of survey responses so that as many positions as possible in the same skill may be requisitioned simultaneously. Requisitions will not be submitted for positions expected to last less than 24 months.

C. SOLICITING VSIP APPLICATIONS: When a requisition results in the referral of Priority 1 registrants the HRO will contact the survey respondents and offer them the opportunity to formally apply for the VSIP using the application at Attachment 2. The application may be withdrawn, but only until the gaining activity HRO is notified that the offer has been accepted by the PPP registrant, at which time the application is considered approved. If there are fewer PPP referrals than survey respondents, applications will be solicited in descending leave service computation date (LVSCD) order.

D. MAKING SELECTIONS: Upon receipt of a VSIP application, the gaining activity will select from among the registrants. Observing normal PPP procedures, the gaining activity will retain the right to dispute a registrant's qualifications if the issue is raised during the qualifications determination process and before the job offer is extended.

1. When a selection has been made, the HRO will contact the appropriate registering activity to determine qualifications and initiate a job offer. Standard PPP policy will apply except that (a) offers are not mandatory unless the registrant's current permanent grade is the same as that of the position being filled; and (b) offers to registrants outside the commuting area are authorized only when no equally qualified registrants within the commuting area are referred. If the number of referrals exceeds the number of VSIP applicants, the gaining activity will determine the order in which offers will be made. If there are more VSIP applicants in a given skill than offers accepted, incentives will be authorized in descending LVSCD order. When the HRO is advised by the losing activity that the offer has been accepted, the VSIP applicant is committed to voluntary separation and is entitled to receive the cash incentive.
2. If a surplus employee accepts and subsequently declines a job offer, the commitment to the VSIP applicant is still binding. In this case, withdrawal of the application will be permitted if requested. If the applicant does not withdraw the application, the position will be offered to another Priority 1 registrant. If no additional registrants were referred, the VSIP requisition will be closed, and the vacancy then becomes subject to matching against the Automated Stopper as dictated by the follow-on recruitment action.

LOSING ACTIVITY PROCEDURES

A. **ELIGIBILITY FOR INCENTIVE-BASED OFFERS:** Priority 1 registrants are eligible for only one valid incentive-based offer. If a registrant who is entitled to severance pay declines an incentive-based offer outside the commuting area, the employee becomes a mandatory registrant for activities within the commuting area. Nevertheless, no further incentive-based offers will be authorized. If the position declined is within the commuting area and meets the OPM definition of a reasonable offer, the employee is no longer entitled to severance pay and is removed from the PPP. Employees who are not entitled to severance pay are removed from the PPP if they decline offers within or outside the commuting area. Since the VSIP is authorized only for avoiding involuntary separations, registrants are not eligible for placement under this program unless they can be assigned to the gaining activity without a break in service.

B. **QUALIFICATIONS DETERMINATIONS & JOB OFFERS:** Qualifications determinations, qualifications disputes, and job offers under VSIP Phase II will be processed in accordance with standard procedures outlined in the PPP Operations Manual. When extending job offers, the HRO should advise registrants that placements are contingent upon the voluntary separation of employees at the gaining activities. Each selectee must understand that until the HRO notifies the gaining activity that the offer has been accepted, the VSIP application may be withdrawn. If the application is withdrawn and there are no other VSIP applicants whose positions can be used to effect the placement, the offer will be voided and the registrant will remain in the PPP for further referrals.

Attachments:
Work Force Survey
VSIP Application

**VOLUNTARY SEPARATION INCENTIVE PAY (VSIP) PHASE II
WORKFORCE SURVEY**

Under the authority of 5 USC 5597, DoD has implemented VSIP Phase II, a program for expanding the use of Voluntary Separation Incentive Pay (VSIP). Separation incentives and voluntary early retirement will be offered to employees in permanent continuing positions to create vacancies for the placement of DoD employees from other activities who are subject to involuntary separation by RIF. The purpose of this survey is to identify employees who might be willing to retire or resign if: (1) they receive a cash incentive; and (2) DoD can place a surplus employee in their position.

Please refer to the attached information sheet and decide if you are interested in the VSIP. **THIS IS NOT AN APPLICATION FOR RETIREMENT OR RESIGNATION.** It is only a preliminary survey of employee interest. Your Human Resources Office (HRO) will use the results of the survey to determine which kinds of positions are potentially available for the placement of surplus DoD employees.

If surplus employees are available for placement in your position, your HRO will contact you and offer you individual retirement counseling and specific information about the amount of your incentive payment and annuity, if appropriate. At that time you will have the opportunity to submit a formal VSIP application. If the number of employees who are interested in the VSIP exceeds the number of available surplus employees, applications will be accepted in order of seniority based on Leave Service Computation Date.

If you respond to this survey and are later allowed to submit an application for retirement or resignation under the VSIP, your position will be offered to a qualified surplus employee. Your incentive will not be approved until the employee accepts the job offer. You may withdraw your application for voluntary separation at any time prior to acceptance of the job offer by the surplus employee.

RETURN TO _____

I am interested in voluntary separation incentive pay (VSIP). If you can identify a surplus DoD employee who would be willing to assume my position, please contact me. At that time I will either submit a VSIP application or withdraw from further consideration. I understand that until you determine that a surplus employee is available for my job, you will not be in a position to offer retirement counseling or give more specific information on the amount of my incentive. I also understand that returning this form does not obligate me to retire or resign nor does it obligate DoD to pay me a separation incentive.

NAME _____ SSN _____
ORGANIZATION _____ DUTY PHONE _____
JOB TITLE, SERIES & GRADE _____
SIGNATURE _____ DATE _____

VOLUNTARY SEPARATION INCENTIVE PROGRAM (VSIP) INFORMATION SHEET

PURPOSE: The purpose of VSIP Phase II is to create vacancies for employees who are scheduled to be separated by RIF at other DoD activities. Cash incentives of up to \$25,000 will be offered to employees in continuing positions who agree to voluntarily retire or resign so that surplus employees can be placed in their jobs.

APPLICATION PROCEDURES

A. **ELIGIBILITY:** If you respond to the work force survey and are in one of the following categories, you will be eligible to apply for the VSIP once DoD identifies a surplus employee who is available for placement in your position:

1. **Optional Retirement:** Employees meeting the existing requirements under either the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS).
2. **Voluntary Early Retirement:** Employees with at least 20 years of service at age 50 or 25 years service at any age may retire under the Voluntary Early Retirement Authority (VERA). If covered under the CSRS, employees will take a reduction in their annuities of two percent per year for each full year under age 55. This reduction is permanent and will not decrease when the annuitant reaches age 55. Employees covered under the FERS take no annuity reduction for retiring under age 55.
3. **Resignation:** Employees under any retirement system may resign at anytime.

B. **INELIGIBILITY:** You are ineligible to receive the separation incentive if you: (1) have not been continuously employed by the Federal government for 12 months; (2) are on a time-limited appointment; (3) are a reemployed annuitant or a military retiree receiving dual compensation under a waiver; (4) are eligible for disability retirement; (5) are receiving a retention allowance; (6) are covered by a written service agreement; (7) have accepted a position with another Federal agency; or (8) are in the Senior Executive Service.

C. **DATE OF SEPARATION:** If you apply for the VSIP and your application is approved, your voluntary separation normally must be effective before the reporting date of the PPP registrant selected for your position. Your activity may extend the effective date for a brief period if the need is compelling.

D. WITHDRAWAL OF APPLICATIONS: Approval of your application indicates that a surplus employee has accepted the offer of your position. The application cannot be withdrawn once approved, at which time you are committed to voluntary separation and entitled to receive the cash incentive. However, if the surplus employee who accepted the offer later declines, you will be permitted to withdraw the application and remain in your position. If you elect not to withdraw the application, you will still receive the incentive upon separation.

INCENTIVE PAYMENTS

A. FORMULA FOR COMPUTING INCENTIVE AMOUNTS: If approved, the incentive will be paid after separation in a lump sum less deductions for FICA/Medicare taxes, Federal income tax, and applicable state and local taxes. The amount of the incentive payment before deductions will be the lesser of: (1) \$25,000; or (2) the amount that you would be entitled to receive under the formula for computing severance pay. The severance pay formula includes both a basic allowance and an age adjustment allowance that is computed as follows:

1. BASIC ALLOWANCE: One week's basic pay adjustment (if applicable) for each year of civilian service up to 10 years and two week's basic pay for each year of civilian service beyond 10 years.
2. AGE ADJUSTMENT ALLOWANCE: Ten (10) percent of the basic allowance for each year that you exceed age 40 at the time of your separation.
3. LIMIT: Severance pay may not exceed an amount equal to 52 week's basic pay.

B. SAMPLE COMPUTATIONS

EXAMPLE No. 1

A GS-12, Step 6 employee whose duty station is in a "Rest of U.S." locality pay area applied for the VSIP under the Voluntary Early Retirement Authority. The employee's basic pay at the time of separation including the locality rate adjustment was \$65,285, or a weekly rate of \$1,251.20 (NOTE: The weekly rate is computed by first determining the hourly rate and then multiplying by 40. Employees paid under the Federal Wage System should already know their hourly wage rate. The hourly rate for employees in positions covered by the General Schedule is obtained by dividing the annual salary by 2087). The employee's age at the time of separation was 52 and she had 22 years of civilian service. Her incentive amount is computed as follows:

Basic Severance Allowance

Age Adjustment Allowance

1 week Basic Pay	\$ 1,251.20
(Years service up to 10)	<u>X 10</u>
	\$ 12,512.00

Basic Severance Allowance	\$ 42,540.80
10 % of Basic Severance Allowance	<u>X .10</u>
	\$ 4,254.08

2 weeks Basic Pay	\$ 2,502.40
(Years of service beyond 10)	<u>X 12</u>
	\$ 30,028.80

(Number of Years age exceed 40)	<u>X 12</u>
Age Adjustment Allowance	\$ 51,048.96

Basic Severance Allowance	\$ 42,540.80
----------------------------------	---------------------

Basic Severance Allowance	\$ 42,540.80
Plus Age Adjustment allowance	+ 51,048.96
Total Severance Pay Fund	\$ 93,589.76

- Since the **Total Severance Pay Fund, \$93,589.76** exceeds the employee’s annual salary, the severance amount is limited to **\$65,285**.
- Incentive Payment equals **\$25,000**.
- Employees may be paid an amount equal to what they would be entitled to receive under the severance pay formula or \$25,000, whichever is the *lesser* amount.

EXAMPLE No. 2

A WG-04, step 2, employee has applied for the VSIP under the resignation option. At the time of his resignation, he is paid at an hourly rate of \$10.24 or a weekly rate of \$409.60. His age at separation is 29 and he has 5 years of civilian service. His incentive amount is computed as follows:

Basic Severance Allowance

1 week Basic Pay	\$ 409.60
(Years service up to 10)	<u>X 5</u>
	Total Severance Pay Fund \$ 2,048.00

- There is no service or age adjustment. Employ has less than 10 years service and is under 40.
- Incentive Payment equals **\$2,048.00**.
- Employees may be paid an amount equal to what they would be entitled to receive under the severance pay formula or \$25,000, whichever is the *lesser* amount.

REEMPLOYMENT ELIGIBILITY

If you accept VSIP and then are reemployed by the Federal government within 5 years, you will be required to repay the full amount received. Additionally, you will be ineligible for registration in the DoD Priority Placement Program.

APPLICATION FOR VOLUNTARY SEPARATION INCENTIVE PAY (VSIP)

NAME _____ SSAN _____

ORGANIZATION _____ DUTY PHONE _____

JOB TITLE, SERIES & GRADE _____

I am applying for Voluntary Separation Incentive Pay (VSIP) under the following option (check one):

- Optional Retirement
- Voluntary Early Retirement
- Resignation

I understand that DoD has identified surplus employees who are potentially available for placement into my position. This application authorizes the Human Resources Office (HRO) to formally offer my position to a surplus employee. If all available surplus employees decline, the offer, my application will be considered disapproved.

When my HRO is advised that a surplus employee has accepted the offer of my position, my VSIP application will be automatically approved. At that time, I will be committed to voluntary separation and will be entitled to receive a cash incentive equal to the lesser of (1) \$25,000; or (2) the amount that I would receive under the formula for computing severance pay. I understand that once approved I will not be allowed to withdraw my application.

I also understand that if the number of VSIP applicant's in my skill exceeds the number of surplus employees who accept job offers, incentive applications will be approved in order of the applicants' Leave Service Computation Dates.

I understand that employees who accept separation pay cannot be reemployed by the Federal government for 5 years after separation unless they repay the full amount received, and are also ineligible for registration in the DoD Priority Placement Program (PPP).

SIGNATURE _____

DATE _____

HRO USE ONLY

LEAVE SCD _____ DATE OFFERED _____

DATE/TIME NOTIFIED OF ACCEPTANCE _____