

# VOLUNTARY SEPARATION INCENTIVE PAYMENT (VSIP)

## What is a Voluntary Separation Incentive Payment?

A Voluntary Separation Incentive Payment (VSIP), also referred to as a buy-out, is a lump-sum, 6-month installment, or bi-weekly payment made to eligible employees who volunteer to separate through (1) resignation, (2) optional retirement, or (3) early retirement to avoid or minimize the need for involuntary separations due to downsizing, resource reductions, or workforce restructuring. VSIP is not an employee entitlement. It is a management tool used to encourage designated civilian employees to separate voluntarily from Federal service.

## Who is eligible for a VSIP?

Employees *who receive an employee notice* announcing a VSIP "Window of Opportunity" and who meet the below requirements are eligible to apply.

### **Eligible employees must:**

- Be serving under an appointment without time limitation;
- Have been employed by DoD for a continuous period of at least twelve months, immediately preceding the effective date of separation; and
- Be rated Fully Successful or higher;

### **If any of the following applies, an employee is ineligible for a VSIP:**

- Reemployed annuitant under the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), or another retirement system for employees of the Government.
- Eligible for disability retirement under CSRS, FERS or another retirement system for employees of the Government.
- In receipt of a decision notice of involuntary separation for misconduct or unacceptable performance.
- Has received a specific notice of RIF separation.
- Has declined to relocate with his or her position or declined a transfer of function.
- Is on a Schedule C excepted appointment.
- Has accepted a position with another Federal agency.
- Previously received a VSIP from the Federal Government.

### **Absent a Waiver, an Employee meeting any of the Below Criteria is Ineligible for VSIP:**

- Is covered by a written service agreement such as, but not limited to, those required with a permanent change of station, training, student loan repayment, critical acquisition positions or recruitment, relocation or retention incentives.
- Is receiving a retention incentive.
- Is occupying a position for which a special salary rate or targeted local market supplements under NSPS are approved.
- Is occupying a position defined as "hard to fill"

## How is the dollar amount of a VSIP computed?

The separation incentive is the *lesser* of:

- \$25,000.00 **OR**
- An amount equal to the payment you would be entitled to receive under the severance pay formula; i.e., (1) one week's pay at the rate of basic pay received immediately before separation for each year of civilian service up to and including 10 years, and 2 weeks basic pay at the rate for each year of civilian service beyond 10 years and (2) an age adjustment allowance for each year by which your age exceed 40 years, at the time of separation. (The basic severance pay allowance is augmented by an age adjustment allowance consisting of 2.5 percent of the basic severance pay allowance for each full 3 months of age over 40 years or 10 percent for each full year over age 40.) Incentive pay cannot exceed 1 year's salary at the rate of pay immediately preceding separation.

### **How is VSIP paid?**

In a lump sum at the time of separation (less FICA/Medicare taxes, federal income tax withholding and applicable state and local taxes).

### **What is the repayment requirement for a VSIP?**

It is important for employees to understand that if they take a VSIP, they cannot return to work for the Federal government for 5 years. If they do return before that time, they must repay the gross amount of the VSIP before their first day of reemployment. To illustrate this point, if an employee receives a \$25,000 VSIP, taking home \$18,000 after taxes and withholdings, the employee must repay the entire \$25,000 before reporting to work at the new agency. Employees are also responsible for settling the overpayment of money withheld (i.e., state and local taxes, FICA) with the proper agency after repayment is made.

### **Can the repayment requirement be waived?**

The Homeland Security Act gave OPM the authority to waive the repayment requirement under limited circumstances. To qualify, the individual must possess unique abilities and be the only qualified applicant available for the position. In the case of an emergency involving a direct threat to life or property, the individual must have skills directly related to resolving the emergency and must serve on a temporary basis only so long as the individual's services are required by the emergency.

### **How is the Voluntary Early Retirement Authority related to the VSIP?**

The Voluntary Early Retirement Authority (VERA), also referred to as an early-out, and VSIP are two difference types of incentives that can be used to offset the impact of involuntary separations or reorganizations. A VERA allows an employee to opt to retire before meeting the normal age and years of service requirements. A VSIP is a lump-sum payment made to eligible employees who voluntarily separate through resignation, optional retirement, or early retirement. Depending on individual circumstances, some employees may be eligible for, and receive, either or both incentives.

### **Who is eligible for VERA?**

An employee must be at least 50 years old and have completed 20 years of creditable service, or be any age with at least 25 years of creditable service. In addition, the employee must:

- Be serving under an appointment without time limitation
- Have been continuously employed within DoD for more than 30 days before the date on which the determination to conduct a workforce reduction or restructuring action is approved
- Not have received a 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
- Must be rated Fully Successful or higher

Under CSRS, there is a two percent reduction in annuity for each year under age 55. Under FERS, there is no reduction in annuity. If the employee has a CSRS and FERS combined annuity, the CSRS reduction applies only to the CSRS portion.

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**We invite you to contact the Fort Leonard Wood CPAC for additional information or questions concerning Voluntary Separation Incentive Pay (VSIP) and/or Voluntary Early Retirement Authority (VERA) by calling 573-596-0927 or scheduling an appointment with a CPAC HR Advisor at Building 470, Room 2205, Monday through Friday between the hours of 0800 and 1600.**