105TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
105–373

FEDERAL EMPLOYEES LIFE INSURANCE IMPROVEMENT ACT

NOVEMBER 4, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BURTON of Indiana, from the Committee on Government Reform and Oversight, submitted the following

R E P O R T

[To accompany H.R. 2675]

[Including cost estimate of the Congressional Budget Office]

The Committee on Government Reform and Oversight, to whom was referred the bill (H.R. 2675) to require that the Office of Personnel Management submit proposed legislation under which group universal life insurance and group variable universal life insurance would be available under chapter 87 of title 5, United States Code, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

CONTENTS

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

59–006

SECTION 1. SHORT TITLE.

This Act may be cited as the "Federal Employees Life Insurance Improvement Act".

SEC. 2. REQUIREMENT THAT A LEGISLATIVE PROPOSAL BE SUBMITTED.

(a) IN GENERAL.—Within 6 months after the date of enactment of this Act, the Office of Personnel Management shall submit to Congress proposed legislation under which there would be made available to Federal employees and annuitants the following:

(1) Group universal life insurance.

(2) Group variable universal life insurance.

(3) Additional voluntary accidental death and dismemberment insurance.

The proposal shall indicate whether any such insurance could be taken in addition to, in lieu of, or in combination with any insurance otherwise offered under chapter 87 of title 5, United States Code.

(b) DESCRIPTION OF POLICIES AND COSTS.—The proposed legislation shall be accompanied by a report which shall include a concise description of the policies proposed, an estimate of the cost to the Government anticipated with respect to each of those policies, and any other information which the Office of Personnel Management may consider appropriate.

SEC. 3. UNREDUCED ADDITIONAL OPTIONAL LIFE INSURANCE.

(a) IN GENERAL.—Section 8714b of title 5, United States Code, is amended—

(1) in subsection (c)—

(A) by striking the last 2 sentences of paragraph (2); and

(B) by adding at the end the following:

"(3) The amount of additional optional insurance continued under paragraph (2) shall be continued, with or without reduction, in accordance with the employee's written election at the time eligibility to continue insurance during retirement or receipt of compensation arises, as follows:

"(A) The employee may elect to have withholdings cease in accordance with subsection (d), in which case—

"(i) the amount of additional optional insurance continued under paragraph (2) shall be reduced each month by 2 percent effective at the beginning of the second calendar month after the date the employee becomes 65 years of age and is retired or is in receipt of compensation; and

"(ii) the reduction under clause (i) shall continue for 50 months at which time the insurance shall stop.

"(B) The employee may, instead of the option under subparagraph (A), elect to have the full cost of additional optional insurance continue to be withheld from such employee's annuity or compensation on and after the date such withholdings would otherwise cease pursuant to an election under subparagraph (A), in which case the amount of additional optional insurance continued under paragraph (2) shall not be reduced, subject to paragraph (4).

"(C) An employee who does not make any election under the preceding provisions of this paragraph shall be treated as if such employee had made an election under subparagraph (A).

"(4) If an employee makes an election under paragraph (3)(B), that individual may subsequently cancel such election, in which case additional optional insurance shall be determined as if the individual had originally made an election under paragraph (3)(A)."; and

(2) in the second sentence of subsection (d)(1) by inserting "if insurance is continued as provided in subparagraph (A) of paragraph (3)," after "except that,".

(b) TECHNICAL AMENDMENT.—The last sentence of section 8714b(d)(1) of title 5, United States Code, is amended by inserting "(and any amounts withheld as provided in subsection (c)(3)(B))" after "Amounts so withheld".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the 120th day after the date of enactment of this Act and shall apply with respect to employees who become eligible, on or after such 120th day, to continue additional optional insurance during retirement or receipt of compensation.

SEC. 4. IMPROVED OPTIONAL LIFE INSURANCE ON FAMILY MEMBERS.

(a) IN GENERAL.—Subsection (b) of section 8714c of title 5, United States Code, is amended to read as follows:

"(b) The optional life insurance on family members provided under this section shall be made available to each eligible employee who has elected coverage under this section, under conditions the Office shall prescribe, in multiples, at the employee's election, of 1, 2, 3, 4, or 5 times—

"(1) $5,000 for a spouse; and

"(2) $2,500 for each child described in section 8701(d).

An employee may reduce or stop coverage elected pursuant to this section at any time.".

(b) TECHNICAL AND CONFORMING AMENDMENTS.—Section 8714c of title 5, United States Code, is amended—

(1) in subsection (c)(2) by striking "section 8714b(c)(2) of this title" and inserting "section 8714b(c)(2)–(4)"; and

(2) in subsection (d)(1) by inserting before the last sentence the following: "Notwithstanding the preceding sentence, the full cost shall be continued after the calendar month in which the former employee becomes 65 years of age if, and for so long as, an election under this section corresponding to that described in section 8714b(c)(3)(B) remains in effect with respect to such former employee.".

(c) EFFECTIVE DATE; OPEN ENROLLMENT PERIOD.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect on the first day of the first pay period which begins on or after the 180th day following the date of enactment of this Act or on any earlier date that the Office of Personnel Management may prescribe.

(2) OPEN ENROLLMENT PERIOD.—

(A) IN GENERAL.—Before the effective date under paragraph (1), the Office shall afford eligible employees a reasonable opportunity to elect to begin coverage under section 8714c of title 5, United States Code (as amended by this section), or to increase any existing optional life insurance on family members to any amount allowable under such section (as so amended), beginning on such effective date.

(B) DEFINITION OF AN ELIGIBLE EMPLOYEE.—For purposes of subparagraph (A), the term "eligible employee" means any employee (within the meaning of section 8701 of title 5, United States Code) covered by group life insurance under section 8704(a) of such title.

I. SUMMARY OF LEGISLATION

H.R. 2675, as amended, will improve the life insurance benefits available to Federal employees under the Federal Employees Group Life Insurance program (FEGLI). It directs the Office of Personnel Management (OPM) to submit a legislative proposal for offering Federal employees group universal life insurance, group variable universal life insurance, and additional voluntary accidental death and dismemberment policies. In addition, it permits employees to continue unreduced additional optional life insurance coverage beyond their 65th birthday at their own expense and to purchase larger amounts of optional life insurance on family members.

II. BACKGROUND AND NEED FOR THE LEGISLATION

H.R. 2675 was introduced by Mr. Mica to improve the benefits available to Federal employees under FEGLI and implement several recommendations received by the civil service subcommittee in connection with an April 30, 1997 oversight hearing it held on the FEGLI program. A recurrent theme at that hearing was that Federal employees should have more choices. To expand the choices available, witnesses recommended that Congress consider providing group universal life insurance, group variable life insurance, and additional voluntary accidental death and dismemberment policies to Federal employees.

This bill, therefore, directs OPM to submit a legislative proposal for offering these options six months after the date of enactment. It provides OPM with maximum flexibility to expand employee choices. OPM may propose that employees be permitted to choose such insurance in addition to the term policies already available under the program. Or OPM may recommend that employees be given the opportunity to choose those policies instead of the options already available.

Another recommendation received as a result of the hearing was that employees should be able to purchase higher amounts of optional life insurance on family members. Accordingly, at Mr. Cummings's recommendation the bill was amended to increase the amount of optional life insurance that employees may purchase on spouses from $5,000 to $25,000 and from $2,500 to $12,500 per child. Employees may purchase coverage on spouses in $5,000 increments and in $2,500 increments on dependent children. According to information received by the subcommittee, these increases will not affect the current rate per $1,000 of coverage. OPM must establish an open season providing eligible employees a reasonable opportunity to elect optional insurance coverage on family members or to increase existing coverage.

The bill also incorporates a provision that was included in H.R. 3841, the Omnibus Civil Service Reform Act of 1996, which passed the House last year, but was not considered by the Senate. Here, too, the bill provides additional options. Under existing law, employees may retain unreduced additional optional life insurance coverage at their own expense until age 65. At age 65 employees are no longer required to pay for the insurance, but its face value declines at the rate of 2% per month until there is no insurance left. This may be fine for some employees. But others may want more protection for their families. To accommodate their needs, the bill permits employees to continue carrying additional optional insurance at full face value beyond age 65 at their own expense.

III. Legislative Hearings and Committee Actions

H.R. 2675 was introduced on October 21, 1997 by the Honorable John L. Mica (R–FL). The bill was referred to the Committee on Government Reform and Oversight on October 22, 1997, and it was referred to the Subcommittee on Civil Service on the same day. The subcommittee held a mark up on October 22, 1997. Representative Cummings offered an amendment that was adopted by voice vote. On October 31, 1997, the Committee on Government Reform and Oversight met to consider the bill as amended. Chairman Burton offered an amendment in the nature of a substitute that incorporated the subcommittee's amendments. The amendment in the nature of a substitute was adopted by voice vote. The Committee favorably reported the bill, as amended by the subcommittee, to the full House by voice vote.

IV. Committee Hearings and Written Testimony

The committee held no hearings and received no written testimony on H.R. 2675. However, on April 30, 1997, the Civil Service Subcommittee held an oversight hearing on FEGLI. Witnesses were Margery Brittain, Vice President, Group National Accounts, MetLife; G. Scott Cahill, CLU, Chief Executive Officer, James B. Greene & Associates, Inc.; Barnett I. Chepenik, President, Lincoln Financial Group, Inc. and Chepenik & Associates; and William E. Flynn, III, Associate Director, Retirement and Insurance Services, OPM.

Ms. Brittain testified that MetLife has been the primary insurance carrier for the FEGLI program since its inception in 1954. The existing contract was negotiated in 1954, and has been modified over 70 times since then to reflect the evolution of the program and incorporate changes in applicable laws and regulations. MetLife is paid a monthly premium from the Employees' Life Insurance Fund (a fund within the Treasury of the United States). Each year OPM and MetLife agree upon a premium ($1.74 billion for FY 97), which is intended to cover the estimated claims expense for the program, MetLife's allowable administrative expenses, the service charge to which MetLife is entitled, an investment management fee, and applicable Federal income taxes.

According to Ms. Brittain, FEGLI is administratively unique and complex in several ways. Its benefits are determined by law; the customers are millions of individuals in hundreds of locations affiliated with multiple Federal agencies, some in remote locations of the world; and the size of the program is unique—MetLife adjudicates approximately 85,000 claims per year, significantly more than it does for any other group contract. Approximately $1.6 billion in claims are paid per year.

In comparing benefits available under FEGLI with those provided by other large employers, Ms. Brittain noted that in the private sector most employers offer supplemental life benefits, which include optional term insurance, group universal life, group variable universal life, or, in some cases, a combination of the latter two. She found no notable differences between public and private sector employers with respect to dependent life benefits.

Ms. Brittain also identified both group universal and group variable life insurance policies as financially feasible alternative insurance options for Federal employees. These plans, which are increasingly being offered in the private sector, permit the insured to accumulate a cash value in the policy by making contributions in excess of the level required to provide the term insurance death benefit. They can provide permanent insurance that is portable and can be converted to "paid up" insurance that will not reduce or cancel. She also identified voluntary accidental death and dismemberment insurance as an alternative. This coverage has become increasingly popular in recent years because of its low cost and the protection it affords against one of the leading causes of death for younger segments of the workforce.

Mr. Cahill and Mr. Chepenik noted several differences between FEGLI benefits and insurance coverage provided in the private sector. Under the FEGLI basic life program, he pointed out, employees under age 45 receive a greater benefit than 1 x salary, which is uncommon in the private sector. In the private sector, he noted, employers typically pay 100% of the basic term cost, but under FEGLI the Federal Government pays 33% and the employee 67%. Mr. Cahill also observed that in the private sector there is often an annual open enrollment period during which employees may increase or decrease their optional insurance, which is not true under FEGLI. He found the FEGLI dependent insurance coverage competitive with private sector plans, but suggested there is an opportunity for Congress to tailor a program to offer additional competitive life insurance benefits.

According to Mr. Cahill, the trend in the private sector is to move away from providing traditional post-retirement life insurance benefits. Instead, private employers have been addressing the need for post-retirement insurance by offering group universal and group variable universal life insurance policies. These are 100% employee-funded and can be tailored to each individual employee's needs. He explained that the policies are often fully funded during the employee's working life so the employee can retire with a cash value policy that would potentially require no future premiums. In addition, Mr. Cahill observed that these policies permit employees to receive an annuity upon retirement instead of providing death benefits to beneficiaries.

Mr. Flynn testified that although the FEGLI program began as a one-size-fits-all approach, it has evolved to offer a "considerable array" of options to address each enrollee's individual circumstances, pointing out that they may choose: basic life insurance, six levels of additional life insurance, family insurance, and three options with respect to post-retirement basic insurance, plus accelerated payment options for the terminally ill. He noted that close to 90% of the eligible Federal workforce has consistently participated in the FEGLI program, attesting to its popularity. OPM has held only six open enrollment periods in the history of FEGLI, two of which have been held since 1993. These open seasons were offered in response to significant program developments, according to Mr. Flynn.

Mr. Flynn indicated that in light of the extremely high participation rate and the number of options and benefit levels currently available, OPM did not see a need for any basic restructuring of the program.

V. Explanation of the Bill as Reported: Section-by-Section Analysis

Sec. 1.—The short title is "The Federal Employees Life Insurance Improvement Act."

Sec. 2.—This section directs OPM to submit a legislative proposal under which Federal employees would be offered the opportunity to purchase group universal life insurance, group variable universal life insurance, and additional voluntary accidental death and dismemberment insurance under FEGLI. OPM is to recommend whether such insurance should be offered in addition to, or in lieu of, insurance already offered under FEGLI. OPM's proposal is to be submitted within 6 months after enactment, and it must include a concise description of the policies proposed and the cost to the Government.

Sec. 3.—This section amends 5 U.S.C. § 8714b to allow employees to carry additional optional life insurance at full face value beyond age 65 at their own expense. Under current law, employees stop paying for this insurance at the end of the month in which they turn 65. However, the face value of the insurance is reduced by 2% per month for 50 months, at which point the insurance stops. The amendments made by this section allow employees to elect to continue paying for the insurance beyond age 65, in which case the face value of the insurance is not reduced.

Sec. 4.—This section amends 5 U.S.C. § 8714c to increase the amount of optional life insurance on family members that employees may purchase. Maximum coverage on spouses is increased from $5,000 to $25,000 and from $2,500 to $12,500 per child. The employee may purchase coverage on spouses in $5,000 increments and in $2,500 increments on children. It also requires OPM to establish an open season providing Federal employees covered by group insurance a reasonable opportunity to elect to begin or increase optional insurance coverage on family members. Technical and conforming amendments are included to reflect the amendments made by this section. The amendments made by this section shall take effect on the first day of the first pay period beginning 180 days after the date of enactment, unless OPM establishes an earlier date.

VI. Compliance With Rule XI

Pursuant to rule XI, clause 2(l)(3)(A), of the Rules of the House of Representatives, under the authority of rule X, clause 2(b)(1) and clause 3(f), the results and findings for those oversight activities are incorporated in the recommendations found in the bill and in this report.

VII. Budget Analysis and Projections

H.R. 2675, as amended, provides for no new authorization, budget authority, or tax expenditures. Consequently, the provisions of section 308(a) of the Congressional Budget Act are not applicable.

VIII. Cost Estimate of the Congressional Budget Office

U.S. Congress,
Congressional Budget Office,
Washington, DC, November 4, 1997.

Hon. Dan Burton,
Chairman, Committee on Government Reform and Oversight,
House of Representatives, Washington, DC.

Dear Mr. Chairman. The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2675, the Federal Employees' Life Insurance Improvement Act of 1997.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Eric Rollins.

Sincerely,

June E. O'Neill, *Director.*

Enclosure.

H.R. 2675—To require that the Office of Personnel management submit proposed legislation under which group universal life insurance and group variable universal life insurance would be available under chapter 87 of title 5, United States Code, and for other purposes.

Summary: H.R. 2675 would require the Office of Personnel Management (OPM) to submit legislation that would make group universal life insurance and group variable universal life insurance available through the Federal Employees' Group Life Insurance

(FEGLI) program. In addition, H.R. 2675 would change FEGLI in two ways. First the bill would increase the amount of optional life insurance for spouses and children that federal employees may purchase through FEGLI. Second, the bill would allow retired federal employees who have optional FEGLI life insurance for themselves, their spouses, or their children to continue paying premiums after turning 65 and avoid having their coverage phased out. This bill would affect direct spending and would therefore be subject to pay-as-you-go procedures.

CBO estimates that this bill would reduce direct spending by $72 million over the FY 1998–2002 period. Direct spending would decrease because additional premiums would be larger than additional claims. CBO estimates that employee premium payments to FEGLI, which are treated as offsetting collections, would rise by $287 million over the 1998–2002 period, and FEGLI claims payments would increase by $215 million.

H.R. 2675 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would have no impact on the budgets of state, local, or tribal governments. H.R. 2675 also contains no private-sector mandates as defined in UMRA.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2675 is shown in the table below.

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002
Increased FEGLI premium payments	−23	−58	−63	−68	−75
Increased FEGLI claims payments	18	44	47	51	55
Total direct spending	−6	−14	−16	−18	−20

Note.—Numbers may not sum to totals due to rounding. This estimate assumes that HR 2675 is enacted by November 15, 1997.

The costs of this legislation fall within budget function 600, Income Security.

Basis of estimate: Federal employees are currently allowed to purchase term life insurance through the Federal Employees' Group Life Insurance (FEGLI) program. In addition, employees may supplement their basic life insurance with three forms of optional insurance. Option A allows employees to buy $10,000 of additional life insurance as well as additional accidental death and dismemberment insurance. Under Option B, federal employees may buy additional life insurance worth 1, 2, 3, 4, or 5 times their annual basic pay. Under Option C, employees may purchase life insurance for their family members at the fixed amount of $5,000 (for a spouse) or $2,500 (for each dependent child).

H.R. 2675 would require the Office of Personnel Management (OPM) to submit proposed legislation to Congress that would expand the types of insurance available through FEGLI to include group universal life insurance and group variable universal life insurance. OPM is required to submit its proposals within six months of the bill's enactment. CBO estimates that this provision would not have a significant cost impact.

Unlike basic FEGLI life insurance, which requires a matching employer contribution, employees pay the full cost of any optional FEGLI insurance. If an employee has Option B or C coverage for the entire five years prior to retiring or going on worker's compensation, he may keep the optional insurance after he retires. However, once the retiree reaches age 65, he no longer pays premiums, and the amount of coverage decreases by 2 percentage points a month over 50 months until no coverage is left.

H.R. 2675 would amend Options B and C in two ways. First, employees would be allowed to select 1, 2, 3, 4, or 5 times the current $5,000 and $2,500 amounts under Option C. In addition, federal employees who continue their Option B or C coverage during retirement would be able to continue paying premiums after age 65 and avoid having their coverage phased out. The changes to Option B would take effect 120 days after enactment and would affect only those employees who retire on or after the effective date. The changes to Option C would take effect 180 days after enactment and would affect all current enrollees.

Increased FEGLI Premium Payments.—A significant number of current and retired federal employees have Option B or C coverage. Approximately 126,000 retirees carry Option B coverage, and 1 million current workers and 314,000 retirees have Option C coverage. CBO used data from OPM to project the number of people who would enroll in Options B and C over the next five years. These projections included the number of retirees with Option B or C coverage, the number of retirees over age 65, and the average amount of coverage.

CBO assumed that Option C enrollees would increase their coverage to an average of 2.5 times the current level. This amount is the midpoint of the new coverage amounts that would be available. Employees currently pay a fixed premium for Option C coverage, and OPM has indicated that Option C premiums would increase to reflect the increase in available coverage envisioned under H.R. 2675. CBO assumed that premiums for Option C would rise in proportion to the amount of coverage selected. For example, an employee who currently pays $18.20 for $5,000 of coverage for a spouse would pay $54.60 for $15,000 of coverage. Finally, CBO assumed that half of the retirees with Option B or C coverage would decide to keep their coverage after turning 65.

Given these assumptions, CBO estimated that additional premium payments from retirees with Option B coverage would rise by $50 million between 1998 and 2002. Premiums from current employees with Option C coverage would increase by $83 million during this period. Finally, premiums from retirees with Option C coverage would increase $155 million. The increase in the premium payments for Option C retirees would be relatively large since they would be able both to select more coverage and keep that coverage past age 65.

Increased FEGLI Claims Payments.—Because federal employees and retirees would purchase more FEGLI coverage, claims payments would increase under H.R. 2675. Using data from OPM, CBO estimated the number of claims that would be made under Options B and C and the average amount of each claim. Separate projections were made for current employees and retirees.

Claims payments to retirees with Option B coverage would rise by $34 million between 1998 and 2002 as some future retirees keep their coverage past age 65. Claims payments to current employees with Option C coverage would increase by the same proportion as the assumed increase in coverage, and would total $98 million over the 1998–2002 period. As with premium payments, claims payments to retirees with Option C coverage would be relatively larger, totaling $82 million between FY 1998 and FY 2002.

Pay-as-you-go considerations: The provisions of this bill would affect direct spending and would therefore be subject to pay-as-you-go procedures.

SUMMARY OF PAY-AS-YOU-GO EFFECTS

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002
Change in outlays	−6	−14	−16	−18	−20
Change in receipts	0	0	0	0	0

Estimated impact on State, local, and tribal governments: H.R. 2675 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would have no impact on the budgets of state, local, or tribal governments.

Estimated impact on the private sector: H.R. 2675 contains no private-sector mandates as defined in UMRA.

Estimate prepared by: Federal cost: Eric Rollins; Impact on State, local, and tribal governments: Leo Lex; Impact on the private sector: Matthew Eyles.

Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

IX. Specific Constitutional Authority for This Legislation

Pursuant to rule XI, clauses 1 and 18 of Article 1, Sec. 8 of the Constitution grants Congress the power to enact this law.

X. Committee Recommendation

On October 31, 1997, a quorum being present, the Committee ordered the bill, as amended, favorably reported to the House for consideration.

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT—105TH CONGRESS ROLLCALL

Date: October 31, 1997.
Amendment No. 1.
Description: Amendment in the nature of a substitute.
Offered By: Mr. Dan Burton, (R–IN).
Adopted by voice vote.
Final Passage of H.R. 2675, as amended.
Offered by: Hon. John L. Mica (R–FL).
Adopted by voice vote.

XI. Congressional Accountability Act; Public Law 104–1; Section 102(B)(3)

The amendments made by H.R. 2675 will apply to employees and former employees of the legislative branch who participate in the

Federal Employees Group Life Insurance program to the same extent as it applies to other participating employees.

XII. FEDERAL ADVISORY COMMITTEE ACT (5 U.S.C. APP.) SECTION 5(b)

The Committee finds that the legislation does not establish or authorize establishment of an advisory committee within the definition of 5 U.S.C. App., Section 5(b).

XIII. UNFUNDED MANDATES REFORM ACT; PUBLIC LAW 104–4; SECTION 423

H.R. 2675, as amended, does not impose any Federal mandates on State, local, and tribal governments, or the private sector or preempt any State and local law.

XIV. CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII, of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 5, UNITED STATES CODE

* * * * * * *

CHAPTER 87—LIFE INSURANCE

* * * * * * *

§ 8714b. Additional optional life insurance

(a) * * *

* * * * * * *

(c)(1) Except as otherwise provided in this subsection, the additional optional insurance elected by an employee pursuant to this section shall stop on separation for service or 12 months after discontinuance of his pay, whichever is earlier, subject to a provision for temporary extension of life insurance coverage and for conversion to an individual policy of life insurance under conditions approved by the Office. Justices and judges of the United States described in section 8701(a)(5) (ii) and (iii) of this chapter are deemed to continue in active employment for purposes of this chapter. A justice or judge of the United States as defined by section 8701(a)(5) of this title who resigns his office without meeting the requirements of section 371(a) of title 28, United States Code, for continuation of the judicial salary shall have the right to convert additional optional life insurance coverage issued under this section during his judicial service to an individual policy of life insurance under the same conditions approved by the Office governing conversion of basic life insurance coverage for employees eligible as provided in section 8706(a) of this title.

(2) In the case of any employee who retires on an immediate annuity or who becomes entitled to receive compensation under subchapter I of chapter 81 of this title because of disease or injury to

the employee, so much of the additional optional insurance as has been in force for not less than—

(A) the 5 years of service immediately preceding the date of retirement or entitlement to compensation, or

(B) the full period or periods of service during which the insurance was available to the employee, if fewer than 5 years,

may be continued under conditions determined by the Office after retirement or while the employee is receiving compensation under subchapter I of chapter 81 of this title and is held by the Secretary of Labor (or the Secretary's delegate) to be unable to return to duty. [The amount of insurance continued under this paragraph shall be reduced each month by 2 percent effective at the beginning of the second calendar month after the date the employee becomes 65 years of age and is retired or is in receipt of compensation. The reduction shall continue for 50 months at which time the insurance stops.]

(3) The amount of additional optional insurance continued under paragraph (2) shall be continued, with or without reduction, in accordance with the employee's written election at the time eligibility to continue insurance during retirement or receipt of compensation arises, as follows:

(A) The employee may elect to have withholdings cease in accordance with subsection (d), in which case—

(i) the amount of additional optional insurance continued under paragraph (2) shall be reduced each month by 2 percent effective at the beginning of the second calendar month after the date the employee becomes 65 years of age and is retired or is in receipt of compensation; and

(ii) the reduction under clause (i) shall continue for 50 months at which time the insurance shall stop.

(B) The employee may, instead of the option under subparagraph (A), elect to have the full cost of additional optional insurance continue to be withheld from such employee's annuity or compensation on and after the date such withholdings would otherwise cease pursuant to an election under subparagraph (A), in which case the amount of additional optional insurance continued under paragraph (2) shall not be reduced, subject to paragraph (4).

(C) An employee who does not make any election under the preceding provisions of this paragraph shall be treated as if such employee had made an election under subparagraph (A).

(4) If an employee makes an election under paragraph (3)(B), that individual may subsequently cancel such election, in which case additional optional insurance shall be determined as if the individual had originally made an election under paragraph (3)(A).

(d)(1) During each period in which the additional optional insurance is in force on an employee the full cost thereof shall be withheld from the employee's pay. During each period in which an employee continues additional optional insurance after retirement or while in receipt of compensation under subchapter I of chapter 81 of this title because of disease or injury to the employee, as provided in subsection (c) of this section, the full cost thereof shall be withheld from the former employee's annuity or compensation, except that, *if insurance is continued as provided in subparagraph (A)* *of paragraph (3),* beginning at the end of the calendar month in which the former employee becomes 65 years of age, the additional optional life insurance shall be without cost to the former employee. Amounts so withheld *(and any amounts withheld as provided in subsection (c)(3)(B))* shall be deposited, used, and invested as provided in section 8714 of this title and shall be reported and accounted for together with amounts withheld under section 8714a(d) of this title.

* * * * * * *

§ 8714c. Optional life insurance on family members

(a) * * *

【(b) The optional life insurance on family members provided under this section shall be made available to each eligible employee who elects coverage under this section, under conditions the Office shall prescribe, in the amount of $5,000 for a spouse and $2,500 for each child described in section 8701(d). The employee may stop coverage elected under this section at any time.】

(b) The optional life insurance on family members provided under this section shall be made available to each eligible employee who has elected coverage under this section, under conditions the Office shall prescribe, in multiples, at the employee's election, of 1, 2, 3, 4, or 5 times—

(1) $5,000 for a spouse; and

(2) $2,500 for each child described in section 8701(d).

An employee may reduce or stop coverage elected pursuant to this section at any time.

(c)(1) Except as otherwise provided in this subsection, the optional life insurance on family members shall stop at the earlier of the employee's death, the employee's separation from the service, for temporary extension of life insurance coverage and for conversion to individual policies of life insurance under conditions approved by the Office.

(2) In the case of any employee who retires on an immediate annuity or who becomes entitled to receive compensation under subchapter I of chapter 81 of this title because of disease or injury to the employee and who has had in force insurance under this section for no less than—

(A) the 5 years of service immediately preceding the date of retirement or entitlement to compensation, or

(B) the full period or periods of service during which the insurance was available to the employee, if fewer than 5 years,

optional life insurance on family members may be continued under the same conditions as provided in 【section 8714b(c)(2) of this title】 *section 8714b(c)(2)–(4).*

(d)(1) During each period in which the optional life insurance on family members is in force the full cost thereof shall be withheld from the employee's pay. During each period in which an employee continues optional life insurance on family members after retirement or while in receipt of compensation under subchapter I of chapter 81 of this title because of disease or injury to the employee, as provided in subsection (c) of this section, the full cost shall be withheld from the annuity or compensation, except that, beginning at the end of the calendar month in which the former employee becomes 65 years of age, the optional life insurance on family members shall be without cost to the employee. *Notwithstanding the preceding sentence, the full cost shall be continued after the calendar month in which the former employee becomes 65 years of age if, and for so long as, an election under this section corresponding to that described in section 8714b(c)(3)(B) remains in effect with respect to such former employee.* Amounts so withheld shall be deposited, used, and invested as provided in section 8714 of this title and shall be reported and accounted for together with amounts withheld under section 8714a(d) of this title.

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