



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

Friday, November 17, 2006

CPM 2006-12

MEMORANDUM FOR: Human Resources Directors

FROM: NANCY H. KICHAK ASSOCIATE DIRECTOR STRATEGIC HUMAN RESOURCES POLICY

Subject: Interim Regulations on Allotments From Federal Employees

I am pleased to inform you the Office of Personnel Management (OPM) has issued interim regulations dealing with the use of OPM's allotment authority to allow for pretax salary reductions as part of OPM's flexible benefits plan (FedFlex). The regulations are available at opm.gov/fedregis. Using an allotment from an employee's pay to the employing agency allows certain payments (e.g., employee health insurance premiums) to be paid with pretax dollars, as provided under section 125 of the Internal Revenue Code. These regulations are intended to ensure all current and future allotments necessary for participation in FedFlex programs are eligible for pretax treatment. For example, the regulations will allow employee premiums for the new Federal Dental and Vision Benefits Program to be paid on a pretax basis. Additional information on FedFlex is available on the OPM website at opm.gov/insure/pretax/index.asp.

Also, we are removing 5 CFR 550.313, which deals with the order of precedence for deductions from pay when there is insufficient pay to cover all deductions. We believe the issue of order of precedence for deductions is best addressed in policy guidance rather than regulations in order to ensure timely, accurate, and uniform payroll practices across Government. As part of its leadership role for the e-Payroll initiative, in the near future OPM will issue payroll policy guidance regarding the order of precedence for deductions when there is insufficient pay to cover all deductions.

For further information, you may contact your agency's assigned OPM Human Capital Officer. Employees should contact their agency's human resources offices for assistance.