

# MS 223 Volunteer/Trainee Readjustment Allowance

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**Responsible Office:** OCFO/VPS

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Issuance Memo

Issuance Memo (05/30/2013)

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## 1.0 Purpose

This Manual Section prescribes Peace Corps policies governing Volunteer/Trainee Readjustment Allowances.

## **2.0 Authority**

Section 5(c) of the Peace Corps Act, as amended

## **3.0 Policy**

### **3.1 Purpose of the Readjustment Allowance**

- (a) The Readjustment Allowance is a payment authorized by the Peace Corps Act to assist returned Volunteers in their transition from Peace Corps Service to other endeavors. It is not a deferred salary; thus, Volunteers are not entitled to receive or use this allowance until completion of service, except as noted below. Readjustment Allowance rates for Volunteers, Trainees, and Peace Corps Response Volunteers are listed in the *Overseas Financial Management Handbook* (see Chapter 4) and *Domestic Financial Management Handbook* (see Chapter 4). Non-Volunteer spouses and dependents of Volunteers are not entitled to a Readjustment Allowance.
  
- (b)
  
- (c) Subject to approval by the Director as outlined below, each of the Readjustment Allowances are eligible to be increased by \$25 per month during odd-numbered fiscal years (i.e. FY21, FY23, FY25). In order for a Readjustment Allowance rate increase to be considered, the Office of the Chief Financial Officer must provide the Director with a budget impact analysis of the proposed rate increases that includes a decision memorandum to approve or disapprove. If the Director approves the rate increase, the new Readjustment Allowance rate will take effect on the first day of the next calendar month following the passage of a full-year appropriation.
  
- (d) The provisions below relating to withdrawals, allotments, and federal income tax withholdings are the only exceptions to the basic rule concerning use before completion of service.

### **3.2 Readjustment Allowance Accrual**

The Readjustment Allowance accrues for each month of satisfactory service (pro-rated for partial months of service) from the enter-on-duty date of a Trainee to the date service with the Peace Corps ends.

### **3.3 Record of Readjustment Allowance**

The Office of Volunteer and PSC Financial Services (VPS), located within the OCFO, maintains a record of each Trainee's and Volunteer's Readjustment Allowance and all disbursements.

### **3.4 Payments of the Readjustment Allowance**

One-third of a Volunteer's net Readjustment Allowance is paid to the Volunteer immediately upon the completion of service. The remaining balance is paid by Electronic Funds Transfer (EFT) to the Volunteer's bank account, a check mailed to the Volunteer's U.S. home of record, or a check mailed to another U.S. address indicated in the Volunteer's termination document. Further information about payment of the Readjustment Allowance is set forth in the *OFMH*.

## **4.0 Withholdings from the Readjustment Allowances**

### **4.1 Federal Income Tax**

Federal income taxes are not automatically withheld from a Volunteer's or Trainee's Readjustment Allowance account as the yearly taxable earnings for Volunteers does not meet the minimum threshold for paying federal income tax. Volunteers and Trainees, who have additional earnings beyond those of Peace Corps, may request that federal income tax be withheld monthly from their readjustment allowance. Further information on income tax withholding procedures is set forth in the *OFMH*.

### **4.2 Social Security and Medicare Taxes**

Readjustment Allowance is subject to deductions for Social Security and Medicare tax. These deductions cannot be waived.

### **4.3 Peace Corps Group Life Insurance**

Volunteers are automatically insured by a \$32,500 non-convertible death benefit insurance policy effective from the first day of Staging. Coverage under the policy terminates automatically:

- (a) At the end of fifteen days following termination of service in the U.S.; or
- (b) At the end of sixty days following termination of service overseas.

The policy cannot be extended beyond these limits.

#### **4.3.1 Insurance Premium Deduction**

The policy is issued by Metropolitan Life Insurance Company. Premium charges to the Trainee or Volunteer are deducted for each month a Trainee or Volunteer accrues Readjustment Allowance.

#### **4.3.2 Waiving Life Insurance**

A Volunteer or Trainee may waive life insurance coverage at the start of service or at any time during service. Once waived, insurance coverage may be restarted during the Volunteer's current term of service but additional actions, such as an independent health assessment, may be required.

## **5.0 Single Payment Withdrawals**

### **5.1 Purposes Allowed**

A Volunteer or Trainee may request a single payment withdrawal from the Readjustment Allowance account for payment of certain non-routine expenses. These payments may be requested for:

- (a) Family support, insurance premiums (including personal property insurance), liens, and other obligations incurred before Peace Corps training and service;
- (b) Dental expenses not covered by Peace Corps;
- (c) Unusual family, medical, or other emergency expenses; or
- (d) Federal income tax payment.

### **5.2 Limitations**

A Volunteer or Trainee may request a single withdrawal to be paid at any time during Peace Corps service except during training and the final 90 days prior to Close of Service (COS). Although applications for these withdrawals are accepted at the pre-departure orientation, payment will not be made until the Trainee becomes a Volunteer, with the exception of dental expenses, court-ordered family support, and federal income taxes. A Volunteer may request that a withdrawal of no more than 50 percent of the net accrued Readjustment Allowance be sent by EFT, or check to a stateside address.

In certain cases, withdrawal requests of more than 50 percent of the net accrued Readjustment Allowance may be approved for dental or other medical expenses, as outlined below, and in extraordinary circumstances such as family emergencies. All such requests, except those for medical expenses, must be submitted through the Country Director to the Director of OCFO/VPS for authorization. As provided in MS 262, "Peace Corps Medical Services Program," all major dental work required for a Trainee to qualify for Volunteer service must be performed at the Trainee's expense. Although encouraged to pay the dentist directly, a Trainee may request payment by the Peace Corps from the Readjustment Allowance for authorized dental work. The total monthly readjustment balance accrual, after withholdings, may be applied toward dental bills.

### **5.3 In-country Special Needs Withdrawals**

The Country Director may authorize issuance of Readjustment Allowance withdrawals of \$200 or less to Volunteers for payment of extraordinary expenses without prior authorization from OCFO/VPS. In-country withdrawals from the Readjustment Allowance account may include, but are not limited to:

- (a) Transportation funds for a Volunteer who is stranded away from his/her site;
- (b) Fees for application to colleges and universities issued in U.S. dollars;

- (c) Travel expenses associated with family emergencies not covered under the emergency leave provisions;
- (d) Medical expenses;
- (e) Income tax payments; or
- (f) Debts owed by a Volunteer to host country citizens or institutions when the Readjustment Allowance is the only available source of payment and where not paying in a timely manner would jeopardize Peace Corps relations with the host country. This is only available if the Volunteer or Trainee has terminated or is in the process of terminating.

Special need withdrawal requests for more than \$200 should be sent, with a recommendation from the Country Director, to OCFO/VPS for approval. Country Director approval is not required for medical expense requests. A Volunteer may withdraw more than \$200 for transportation, if stranded away from his/her site.

## **6.0 Monthly Payment Withdrawals**

### **6.1 Purposes Allowed**

A Volunteer may request that certain recurring expenses be paid monthly from the Readjustment Allowance account. These payments or allotments are designed to continue payments on obligations incurred prior to Peace Corps training or service. Unexpected emergency expenses, such as family support may also be paid by monthly allotment. Allotments for the purchase of U.S. Savings Bonds are also permitted. Allotment payments requested by Trainees will not begin until the Trainee is sworn in as a Volunteer, with the exception of dental payments or court ordered family support.

### **6.2 Limitations**

A Volunteer may apply for an allotment at any time during service, except the last six months. An allotment must be for a minimum of five consecutive monthly payments of at least \$25.00 each. Each Volunteer is allowed a maximum of three concurrent allotments. The maximum single monthly allotment and the total of all allotments in a month may not exceed 75% of the current monthly rate during a Volunteer's first full tour of service. Allotment payments requested by a Trainee will not begin until the Trainee is sworn in as a Volunteer. Further information on allotment payment procedures is set forth in the OFMH.

## **7.0 Extending Volunteers and One-Third Readjustment Allowance Payments**

### **7.1 Extensions of Less than Twelve Months**

A Volunteer who extends his/her Peace Corps service for less than 12 months and is to receive a his/her one-third payment by EFT, the EFT will be delayed until the new COS date, provided the date has been updated two weeks prior to the initial Projected COS Date. For Volunteers

receiving a check payment, it will be held at Post until the new COS Date or returned to CFO/VPS to be re-issued closer to the new COS Date. The Readjustment Allowance continues to accrue during an extension. No supplemental one-third payments will be authorized for this extension period.

## **7.2 Extensions of Twelve Months or more of Volunteer Service**

A Volunteer who extends his/her Peace Corps service for more than 12 months is eligible to receive one-third of the net balance of his/her readjustment allowance at the end of the initial service as well as a supplemental one-third payment at the end of their extension period. If multiple one year or more extensions are served, a Volunteer is entitled to a one-third payment at the end of each extension period.

## **7.3 Peace Corps Response**

A Volunteer who extends his/her Peace Corps service by transferring into a Peace Corps Response program is eligible to receive one-third of his/her net readjustment allowance balance upon the end of their initial Volunteer service regardless of the length of their Peace Corps Response assignment.

## **8.0 Readjustment Allowance Payments to Early Terminating Volunteers**

Early terminating Volunteers are eligible for Readjustment Allowance as follows:

- (a) Early terminating Volunteers returning to Washington for consultation, medically evacuated Volunteers, and early terminating Volunteers returning directly to the United States may be advanced up to \$200 by the Country Director from the Readjustment Allowance account without advance authorization of OCFO/VPS;
- (b) Volunteers who are field exceptions to the "Direct and Immediate Return" may, with prior authorization of OCFO/VPS, receive up to one-third of his/her Readjustment Allowance at post; and,
- (c) Volunteers who early terminate in the field and assume responsibility for his/her return transportation may receive up to \$200 from the Readjustment Allowance account when authorized by the Country Director.

Trainees who terminate early are not entitled to receive any advance from the readjustment account at the time of early termination. OCFO/VPS will send a payment for the full balance of the Readjustment Allowance to the Trainee following termination.

## **9.0 Final Payment of Readjustment Allowance for Volunteers Completing Service**

OCFO/VPS will calculate the final payment due to the Volunteer once the official termination information is received. OCFO/VPS will EFT the final amount earned minus any previous Readjustment Allowance payments and/or deductions to the specified U.S. bank account of the

Volunteer or designated account. If a bank account is not available, OCFO/VPS will mail a check to the U.S. address designated by the terminating Volunteer. The final Readjustment Allowance payment is typically processed in two to four weeks after documentation is received by OCFO/VPS. Please note that final payments for medically separated Volunteers often take longer than four weeks. Additional information about the procedures for final payment is found in the *OFMH*.

## **10.0 Reporting a Crime**

A Volunteer who is otherwise eligible for one or more allowances set forth in this Manual Section will not lose and may not be threatened with the loss of all or a portion of such allowance or allowances because the Volunteer has reported a crime or otherwise made any allegation covered by MS 271.

## **11.0 Effective Date**

The effective date is the date of issuance.