

MS 223 Volunteer/Trainee Readjustment Allowance

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Responsible Office: Office of the Chief Financial Officer/Global Accounts Payable/Volunteer and PSC Financial Services (OCFO/GAP/VPS)

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Issuance Memo (06/23/2021)

Issuance Memo (07/15/2022)

Attachments

Attachment A – Chapter 4 “Allowances – Readjustment” of the *Overseas Financial Management Handbook (OFMH)*

Attachment B – Form PC-10 Application to Allot or Withdraw Readjustment Allowance

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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 (COS), except as noted below. Readjustment Allowance rates for Volunteers, Trainees, and Peace Corps Response Volunteers (collectively “Volunteers” unless otherwise stated) are listed in Chapter 4 of the *Overseas Financial Management Handbook* (OFMH), attached hereto as “Attachment A.” Non-Volunteer spouses and dependents of Volunteers are not entitled to a Readjustment Allowance.
- (b) 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 (OCFO) 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.
- (c) The provisions below relating to withdrawals, allotments, and federal income tax withholdings are the only exceptions to the basic rule concerning use before COS.

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 the Chief Financial Officer/Global Accounts Payable/Volunteer and Personal Services Contract (PSC) Financial Services (OCFO/GAP/VPS) maintains a record of each Volunteer's Readjustment Allowance and all disbursements.

3.4 Payments of the Readjustment Allowance

One-third of a Volunteer's Readjustment Allowance after any withholdings or deductions as set forth and described in subsection 4.0 below (net accrued Readjustment Allowance) is paid to the Volunteer immediately upon COS. 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 payments of the Readjustment Allowance is set forth in Chapter 4 of the *OFMH* (Attachment A).

4.0 Withholdings from Readjustment Allowances

4.1 Federal Income Tax

Federal income taxes are not automatically withheld from a Volunteer's Readjustment Allowance as the yearly taxable earning for Volunteer service does not by itself meet the minimum threshold for paying federal income tax. Volunteers who have additional earnings beyond those of the 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 Chapter 4 of the *OFMH* (Attachment A).

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 their enter-on-duty date (*see* MS 203 *Enter-on-Duty Date*). 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 Volunteer are deducted for each month they accrue their Readjustment Allowance.

4.3.2 Waiving Life Insurance

A Volunteer 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 Early Withdrawal Payments from Net Accrued Readjustment Allowances

A Volunteer may request:

- (a) A single early withdrawal payment from their net accrued Readjustment Allowance. The withdrawal amount may be up to 50 percent of their net accrued Readjustment Allowance for payment of certain non-routine expenses. These payments may be requested for purposes including:
 - (1) Family support, insurance premiums (including personal property insurance), liens, and other obligations incurred prior to Peace Corps training and service;
 - (2) Dental expenses not covered by the Peace Corps;
 - (3) Unusual family, medical, or other emergency expenses;
 - (4) Voluntary payments to support readjustment after COS, such as payments for housing after Peace Corps service;
 - (5) Continuing education application fees;
 - (6) Federal income tax payments; and
 - (7) Such other purposes as may be approved by OCFO/GAP/VPS.

Single early withdrawal payment requests of more than 50 percent of the net accrued Readjustment Allowance may be approved in extraordinary circumstances, such as in the case of family emergencies.

- (b) Monthly early withdrawal payments for purposes including:
 - (1) Continuation of payments on obligations incurred by the Volunteer prior to Peace Corps training and service, including family support, student loans, and credit card debt;

- (2) Voluntary payments to support readjustment after COS, such as payments made into any individual retirement account (IRA); and
- (3) Any other payments for the purposes set forth and in accordance with the procedures outlined in Chapter 4 of the *OFMH* (Attachment A).

Monthly early withdrawal payments may be requested prior to a Volunteer's enter-on-duty date in the Database of Volunteer Experience (DOVE) online portal and at any time prior to their last six months of service. Monthly early withdrawal payments may be requested in an amount of at least \$25.00 and for a minimum of five consecutive months. Each Volunteer is allowed a maximum of three simultaneous monthly early withdrawal payments.

The total of all early monthly withdrawal payment amounts in any one month may not exceed 75 percent of the current monthly rate of the Readjustment Allowance during a Volunteer's first full tour of service.

In order to request early withdrawal payments from their Readjustment Allowance during the course of their service, a Volunteer is required to complete all applicable sections of Form PC-10 (see Attachment B). The Director of Management and Operations at Post is responsible for reviewing Form PC-10 for accuracy prior to its submission via email to a Financial Management Specialist (FMS) in OCFO/GAP/VPS for necessary review, approval, and processing at Headquarters.

Early withdrawal payments requested by a Trainee will not be made until the Trainee is sworn in as a Volunteer, with the exception of payments for court-ordered family support expenses, federal income taxes, and dental expenses.

Further information on early withdrawal payment procedures is set forth in Chapter 4 of the *OFMH* (Attachment A). OCFO shall inform the Office of General Counsel (OGC) whenever the relevant sections of the *OFMH* are updated.

5.1 In-country Special Needs Early Withdrawal Payments

The Country Director may authorize, without prior authorization from OCFO/GAP/VPS, early withdrawal payments of \$200 or less from the Volunteer's net accrued Readjustment Allowance for payment of extraordinary expenses. In-country special needs early withdrawal payments from the net accrued Readjustment Allowance may include, but are not limited to:

- (a) Transportation funds for a Volunteer who is prevented by emergency financial circumstances from returning to their site;
- (b) Fees for applications 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 not covered by the Peace Corps;

- (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 has terminated or is in the process of terminating (*see* MS 232 Volunteer In-Country Debts to Third Parties, subsection 3.2.4).

In-country special needs early withdrawal payment requests for more than \$200 should be sent, with a recommendation from the Country Director, to OCFO/GAP/VPS for approval. A recommendation from the Country Director is not required for medical expense requests.

5.2 Cap on Total of All Early Withdrawal Payments

During the course of a Volunteer's service, all requests made and granted in accordance with this subsection shall not exceed 75 percent of their total net accrued Readjustment Allowance.

6.0 Extending Volunteers and One-Third Readjustment Allowance Payments

6.1 Extensions of Less than Twelve Months

If a Volunteer extends their Peace Corps service for less than 12 months and is to receive their one-third payment by EFT, OCFO/GAP/VPS will delay the EFT 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, Post will hold the check until the new COS date or will return the check to OCFO/GAP/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.

6.2 Extensions of Twelve Months or more of Volunteer Service

A Volunteer who extends their Peace Corps service for more than 12 months is eligible to receive one-third of the net balance of their 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.

6.3 Peace Corps Response

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

7.0 Readjustment Allowance Payments to Early Terminating Volunteers

Early terminating Volunteers are eligible to receive their net accrued 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 their net accrued Readjustment Allowance without advance authorization of OCFO/GAP/VPS;
- (b) Volunteers who are field exceptions to the "Direct and Immediate Return" travel requirements (as described in MS 284, subsection 9.2) may, with prior authorization of OCFO/GAP/VPS, receive up to one-third of their Readjustment Allowance at Post; and
- (c) Volunteers who early terminate in the field and assume responsibility for their return transportation may receive up to \$200 from their net accrued Readjustment Allowance when authorized by the Country Director. In accordance with MS 284 *Early Termination of Service*, the Peace Corps will not cover return travel costs to the U.S. for field-terminated Volunteers. However, if the already terminated Volunteer requests a ticket, the Peace Corps may pay for a ticket to the Volunteer's home of record if sufficient funds are in the Volunteer's Readjustment Allowance and shall deduct the cost of the ticket from the Volunteer's Readjustment Allowance.

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

8.0 Final Payment of Readjustment Allowance

OCFO/GAP/VPS will calculate the final payment due to the Volunteer once the official termination information is received. OCFO/GAP/VPS will EFT the final amount earned minus any previous Readjustment Allowance early withdrawal payments and/or deductions.

Debts owed by a Volunteer (e.g., grant reconciliation, any overpayments made to the Volunteer during service, loss or damage to Peace Corps property, or items identified in the Peace Corps Volunteer Certificate of Non- Indebtedness and Accountability for Property (PC-477)) may be deducted from their net accrued Readjustment Allowance upon review by the Country Director and in consultation with OCFO/GAP/VPS and OGC.

Final payment of the net accrued Readjustment Allowance shall be made to the specified U.S. bank account of the Volunteer or designated account. If a bank account is not available, OCFO/GAP/VPS will mail a check to the U.S. address designated by the terminating Volunteer. The final payment is typically processed in two to four weeks after documentation is received by OCFO/GAP/VPS. For medically separated Volunteers, final payment may take longer than four weeks. Additional information about the procedures for final payment is found in Chapter 4 of the *OFMH* (Attachment A).

9.0 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 *Confidentiality Protection*.

10.0 Effective Date

The effective date of this Manual Section is the date of issuance.