

## **CHAPTER 13**

### **RETIREMENTS**

#### **Section I - General**

1-1. **General.** The purpose of this chapter is to provide information on the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), the requirements for each, and annuity computations.

a. **The Civil Service Retirement System (CSRS).** CSRS employees pay 7% of pay into the CSRS and while they pay no Social Security retirement and disability tax, they must pay a 1.45% tax to Medicare, the health component of Social Security. The following employees are covered by CSRS unless they elected to transfer to FERS.

(1) Employees serving continuously in the Federal government since 31 December 1983

(2) Employees who were covered by CSRS only at date of separation and rehired with less than a one year break in service;

(3) Employees with five or more years of CSRS civilian service (including time under the Interim Plan performed before 1-1-1987) and who are covered under the Social Security System as a result of a break-in-service exceeding one year (offset employees);

(4) Employees who were subject to the CSRS at date of separation and had five or more years of CSRS civilian service and who become subject to the Social Security System as a result of a break-in-service exceeding one year (offset employees);

b. **The Federal Employee's Retirement System (FERS).** The FERS is a three-tiered plan consisting of Social Security, a Basic Annuity, and a Thrift Savings Plan. FERS employees pay 7% of pay into a combined Basic FERS benefit plan and Social Security. They must also pay a 1.45% tax to Medicare, the health component of Social Security. The following employees are covered by FERS.

(1) Employees first hired after December 31, 1983;

(2) Employees re-hired with a break in service exceeding a year who have less than five years of Civilian CSRS creditable

service as of December 31, 1986, or date of re-hire, if later. (The five years include service in the Interim Plan (1984-1986) and temporary service);

(3) Employees who elect to transfer to the FERS during a period designated to do so.

1-2. **General Requirements.**

a. CSRS Employees.

(1) At least 5 years of civilian service with the Federal government.

(2) Employed under the Retirement System (contributing to CSRS for at least 1 year out of the last 2 years preceding final separation for retirement).

b. FERS Employees.

(1) At least 5 years of civilian service with the Federal Government (except Disability - 18 months).

(2) Must be in FERS position on last day of the service being used to establish eligibility.

**Section II - Types of Retirements**

2-1. **Types of Retirement and Minimum Age and Service Requirements for Retirement.**

a. CSRS Employees.

(1) Voluntary

(a) Age 55 - 30 years of service

(b) Age 60 - 20 years of service

(c) Age 62 - 5 years of service

(2) Involuntary and Early Optional Retirements.

(a) Age 50 - 20 years of service

(b) Any age - 25 years of service

**NOTE:**

Reduction of 2% per year (1/6 of 1% a month) for every year under age 55.

- (3) Disability Retirement.
  - (a) Any age - 5 years civilian service.
  - (b) 1 out of 2 requirements does not apply.
- (4) Deferred Retirement. Age 62 - 5 years of service.

b. FERS Employees.

- (1) Voluntary immediate retirement (no age reduction).
  - (a) MRA (Minimum Retirement Age) - 30 years.
  - (b) Age 60 - 20 years of service
  - (c) Age 62 - 5 years of service
- (2) MRA + 10 Retirement (\*Reduced Benefits). MRA with 10 years (minimum of 5 years of civilian service).

**NOTE:**

Reduced benefit means if you retire at the MRA with at least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5% a year for each year you are under age 62, unless you have 20 years of service and your annuity begins at age 60 or later.

- (3) Involuntary and Voluntary Early Out Retirements.
  - (a) Age 50 - 20 years service.
  - (b) Any age - 25 years service.

**NOTE:**

No reduction for being under age 62.

- (4) Disability Retirement. Any age - 18 months creditable service (must apply for Social Security Disability Retirement).
- (5) Deferred Retirement.
  - (a) Age 62 - 5 years of service

(b) MRA - 10 years of service.

2-2. **Optional Retirement (Voluntary)**

a. Technicians meeting the optional retirement requirements, who desire to retire with an immediate retirement annuity, should advise the Human Resources Office (HRO) of their intended retirement at least 60 days in advance of the desired effective date.

b. The HRO will verify eligibility and set up an appointment with the technician at the Human Resources Office in order to complete the necessary retirement forms. It is desirable that the spouse accompany the technician.

2-3. **Discontinued Service Retirement (Involuntary Loss of Military Membership)**

a. Federal law requires Excepted Service personnel to maintain membership in the National Guard as a condition of continued employment and requires prompt termination upon loss of military membership in the Active Army or Air National Guard.

b. Supervisors are responsible for notifying the Human Resources Office when it is apparent a technician may lose his/her military membership, or has other significant changes in military status that would affect technician employment. Some examples are:

(1) Loss of military membership. National Guard officers, warrant officers, and enlisted personnel who are separated from their technician position due to elimination under the provisions of ROPMA or other selective retention program are considered to be involuntarily separated.

(2) Military physical disqualification. A technician who is separated from a technician position for failure to meet military physical standards will be considered for either disability retirement or discontinued service retirement if otherwise eligible.

(3) Officer technician accepting an appointment as a general officer. When an officer technician is separated because of being promoted to a general officer position, the technician, if otherwise eligible, would be entitled to a discontinued service retirement.

(4) Loss of Military Membership at Age 60. A technician who loses military membership due to reaching age 60 is considered to be involuntarily separated, and would qualify for a discontinued service annuity provided he/she has at least 20 years of creditable service.

(5) Failure to accept reenlistment. The failure to accept an enlisted technician's reenlistment application, if properly qualified, by any method other than qualitative or selective screening retention action, is not a basis for discontinued service retirement if denied reenlistment was for cause on charges of misconduct, delinquency, or inefficiency. This also applies to the failure to accept an extension of enlistment.

(6) Commissioning of enlisted technicians. When a technician who occupies an enlisted military position as a condition of employment accepts a military commission, and is subsequently terminated from technician employment for failure to hold the military grade specified for his/her technician position, such separation is considered voluntary. Therefore, the technician would not be entitled to a discontinued service annuity nor severance pay.

c. The Human Resources Office will:

(1) Determine eligibility for discontinued service retirement annuity (approval will be from the Office of Personnel Management).

(2) Advise the technician concerned.

(3) Forward work copies of appropriate documents to be completed and returned by applicant.

d. Technicians involuntarily separated for reasons other than loss of military membership (reduction-in-force, management directed reassignment, outside local commuting area, etc.) will be notified by the Human Resources Office with appropriate instructions pertaining to retirement eligibility. A reclassification of a technician's position will not support a finding of involuntary separation for retirement purposes. Those individuals involuntarily separated, and not eligible for discontinued service retirement, may qualify for severance pay and/or a deferred retirement annuity at age 62.

#### 2-4. **Deferred Retirement.**

a. Technicians (CSRS and FERS employees) with over five years of civilian service will qualify for a deferred annuity at age 62 regardless of their age or number of years of service at the time of termination, PROVIDING THEY LEAVE ALL RETIREMENT DEDUCTIONS ON DEPOSIT with the Civil Service Retirement System at the time of termination.

b. No action is required by a technician at the time of termination if they decide to leave their retirement deductions on deposit. Deductions may be withdrawn at any later date.

c. Making application for deferred retirement annuity is an individual's responsibility upon reaching age 62. Application can be made by contacting the Office of Personnel Management, Employee Service and Records Center, Boyers, PA 16017.

d. Annuities for deferred retirement are based on the same formula as for optional or discontinued service retirement and computed on the actual years of creditable service and "high-three" average annual salary at the time of separation.

e. Deferred annuity commences on the retiree's 62nd birthday.

## 2-5. **Disability Retirement.**

a. Eligibility for a disability retirement annuity can only be determined by the Office of Personnel Management.

b. Requirements.

(1) Must have completed at least 5 years of civilian service for CSRS employees and 18 months service for FERS employees.

(2) Must have become totally disabled for useful service in his/her position or any other position of the same grade and class, or fail a military physical and be processed for military separation. Definition of disability is the same for CSRS and FERS employees.

(3) The disease or injury which caused the disability must not be the result of vicious habits, intemperance or willful misconduct on the part of the employee within the 5-year period immediately prior to becoming disabled.

c. Military technicians who are separated from employment due to loss of military membership for medical reasons are eligible for a "special disability" retirement annuity under the provisions of P.L. 97-253. Office of Personnel Management (OPM) will first determine if the disability retirement will be approved under the "regular" disability retirement. While the claim for "regular" disability retirement is pending, the technician may remain in either work or leave status as appropriate. Upon receipt of adjudication from the Office of Personnel Management (OPM) the technician will be promptly separated. If regular disability retirement has been disallowed, the technician may apply for special retirement under the "Special Provisions of P.L. 97-253." If the applicant has been on leave without pay pending adjudication of disability retirement, the annuity is effective retroactive to the first day in a non-pay status. The HRO will notify the technician and the supervisor of the retirement date.

## **Section III - Computing Annuities**

### 3-1. **Annuities Computing for the Civil Service Retirement System (CSRS).**

a. The basic formula for computing retirement annuities other than disability retirement is:

(1)  $1.50\% \times \text{high-3 average salary} \times 5 \text{ years of service.}$

(2)  $1.75\% \times \text{high-3 average salary} \times 5 \text{ years of service.}$

(3)  $2\% \times \text{high-3 average salary} \times \text{remaining years of service (includes sick leave).}$

(4) Total (1, 2 & 3) above to get Basic Annuity.

EXAMPLE: 30 years of service; \$20,000 high-3 average pay.

TAKE:  $1-.50\% \times 20,000 \times 5$  years of service = 1,500

ADD:  $1-.75\% \times 20,000 \times 5$  years of service = 1,750

ADD:  $2\% \times 20,000 \times 20$  years of service = 8,000

$1,500 + 1,750 + 8,000 = \$11,250$  (Basic Annuity)

The high-3 average salary is the highest pay obtained by averaging the rates of pay in effect during any 3 consecutive years of service, with each rate weighed by the time it was in effect.

b. Unused Sick Leave - CSRS.

(1) Must retire on an immediate annuity.

(2) Added to length of service for computation purposes only.

(3) Additional time computed on the basis of a 2087 hour work year.

c. For CSRS employees under age 55, the annuity will be reduced by 1/6 of 1% for each full month the retiree is under age 55. This reduction for age does not apply to Disability Retirement.

EXAMPLE FOR REDUCTION UNDER AGE 55

30 Years of Service

\$20,000 Average Salary

Basic Annuity = \$11,250

Age 52 Years 0 Months

Reduction = 6% (.06)

$\$11,250 \times .06 - \$675$  Reduced Annuity = \$10,575

d. Annuity payable under Disability Retirement (CSRS) - Minimum Guaranteed Annuity.

(1) The annuity payable to an employee retiring because of disability will not be less than:

(a) 40% of his/her high-3 average pay or,

(b) An annuity computed under the general formula after increasing total service

by the length of time elapsing between the date of separation and the date on which the employee would attain age 60, whichever is the LESSER. This guarantee gives no advantage to an employee who has reached the age of 60.

(2) The annuity computed on the basis of the employee's actual service is allowed if it is greater than the minimum guaranteed annuity.

e. Survivor Annuity. Survivor annuity may be elected by the retiree for a surviving spouse and/or for someone with an insurable interest. The retiree's annuity is reduced by: 2-1/2% of the first \$3,600 of the selected annuity base plus 10% of the excess of \$3,600. Any amount of the annuity may be selected as the base for the survivor annuity. The survivor will receive 55% of the amount designated by the retiree as the base amount.

#### REDUCTION FORMULA

2-1/2% of \$3,600

10% of survivor base exceeding \$3,600

Subtract total of above from basic annuity

Divide result by 12 for employee's monthly annuity

### **3-2. Computing Annuities for Federal Employees Retirement System (FERS) Basic Benefit Plan.**

a. The basic formula for computing retirement annuities other than disability retirement is:

1% of your high-3 average pay x years of creditable service plus 1/2 of Sick Leave hours for those retiring before 1 January 2014, full credit for those retiring after 31 December 2013.

#### EXAMPLE

Retirement Age = 60

Length of Service = 30 Years

Average Salary = \$20,000

BASIC ANNUAL ANNUITY = 1.0% x 20,000 x 30 = \$6,000

If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%.

b. Special Retirement Supplement. If you meet certain requirements, you will receive a Special Retirement Supplement which is paid as an annuity until you reach age 62. This supplement approximates the Social Security benefit earned while you were employed by the Federal Government. You may be eligible for a Special Retirement Supplement if you retire:

(1) After the Minimum Retirement Age (MRA) with 30 years of service.

(2) At age 60 with 20 years of service, or

(3) Upon early voluntary retirement (age 50 with 20 years of service, or at any age with 25 years of service) after the Office of Personnel Management determines that your agency is undergoing a major RIF or transfer of function, you will receive the Special Retirement Supplement beginning at the applicable MRA under age 62.

(4) Upon involuntary retirement, you will receive the Special Retirement Supplement beginning at the applicable MRA until age 62.

(5) If you transfer to FERS from CSRS, you must have at least one full calendar year of FERS-covered service to qualify for the supplement.

(6) If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your Special Retirement Supplement will be reduced or stopped.

c. Minimum Retirement Age (MRA) for FERS.

If you were born	Your MRA is
Before 1948	55 Yrs
in 1948	55 Yrs 02 Mos
in 1949	55 Yrs 04 Mos
in 1950	55 Yrs 06 Mos
in 1951	55 Yrs 08 Mos
in 1952	55 Yrs 10 Mos
In 1953 through 1964	56Yrs
in 1965	56 Yrs 02 Mos
in 1966	56 Yrs 04 Mos
in 1967	56 Yrs 06 Mos
in 1968	56 Yrs 08 Mos
in 1969	56 Yrs 10 Mos
in 1970	57 Yrs

d. Disability Benefits (FERS).

(1) The first year: 60% of your high-3 average pay minus 100% of any Social Security disability benefits to which you are entitled.

(2) After the first year, and until age 62, if your disability prevents you from performing your job, and you do not qualify for Social Security disability benefits, your benefit will be 40% of your high-3 average pay.

(3) If you do qualify for Social Security benefits, your disability will be reduced by

60% of the initial Social Security benefit to which you are entitled. The resulting total will be equal to at least 40% of your high-3 plus 40% of your Social Security disability benefits.

(4) When you reach age 62, your disability benefit will be recomputed. Essentially, you will receive the annuity you would have received if you had not been disabled, but had continued working until age 62. For purposes of this recomputation, your average salary will be increased by all FERS cost-of-living adjustments that took effect while you were receiving a disability annuity.

(5) Employees hired prior to 10 February 1996 with 25 years of creditable service and 50 years of age or older are not eligible for Public Law 97-253 disability. Employee hired after 9 February 1996 with 25 years of creditable civilian service and 50 years of age or older, or 20 years of creditable service and MRA or older are not eligible for Public Law 97-253 disability.

EXAMPLE: Average high-3 salary is \$25,000. The initial benefit would be 60% of \$25,000 or \$1,250 a month

Initial FERS monthly benefit = \$1,250  
Social Security Disability - 700

Adjusted FERS disability benefit = \$550

Second year, 40% of high-3 salary = \$833 per month

Social Security Disability (60% of \$700) = \$420  
FERS disability benefit would be \$413.

e. Survivor Benefits (FERS).

(1) If you die while you are an employee.

(a) If you are married, have worked for the Federal Government for 18 months, and you die while you are an active employee, your surviving spouse receives:

1. A lump sum payment plus the higher of 1/2 of your annual pay rate at death,
- or
2. One-half (1/2) of your high-3 average pay

**NOTE:**

Lump-sum payment for 2009 is \$29,722.95. (This figure increases by the cost-of-living adjustments each year).

(b) If you had 10 years of service, your spouse also receives an annuity equaling 50% of your accrued basic retirement benefit. These benefits are paid in addition to any Social Security, group life insurance, or savings plan survivor benefits.

(2) If you die while you are a retiree.

(a) A married retiree's annuity is automatically reduced to provide spouse survivor benefits, unless those benefits are jointly waived in writing by the retiree and the spouse before retirement.

(b) Your annuity is reduced 10% to give your surviving spouse an annuity of 50% of your unreduced benefits, plus a special supplementary annuity payable until age 60 if your spouse will not be eligible for Social Security survivor benefits until age 60.

(c) You and your spouse may choose instead to have your annuity reduced by 5% to give your spouse an annuity of 25% of your unreduced benefit at your death.

(d) A survivor or a member of the household must receive a survivor's annuity for the survivor to maintain FEHB after the death of a retiree.

### 3-3. **Requirements for Survivor Benefit.**

a. A surviving spouse must have been married to the technician for at least 9 months or be the parent of child of the marriage or the death must have been accidental in order to be eligible for survivor benefit.

b. Surviving Children's Benefits. If a retiree or employee dies after performing at least 18 months of creditable civilian service his/her unmarried dependent child under age 18 will be eligible for an annuity. An unmarried dependent child who is a full-time student will continue to receive an annuity until 30 June of the school year in which he/she reaches age 22. An unmarried dependent child who is incapable of self-support because of a disability, which began before 18, will continue until he/she marries, dies or becomes capable of self-support. For this purpose, a child includes a natural child, an adopted child, and a stepchild who is living with the employee or retiree in parent-child relationship. The amount of survivor benefits is based on the fact that one or no parent survives and the number of eligible children. Survivor benefits for children based on a technician's FERS entitlements is reduced by any Social Security payment.

## **Section IV - Crediting Civilian Service**

### 4-1. **CSRS - Crediting Civilian Service.**

a. All service performed for the Federal Government (Executive, Judicial, or Legislative branches) is potentially creditable toward determining if an employee is eligible to retire if it meets all three tests of Federal employment.

- (1) Engaged in the performance of a Federal function.
- (2) Appointed or employed by a Federal officer.
- (3) Under the direction and supervision of a Federal official.

b. Normally, full time credit is allowed for all time elapsing between the date of appointment and the date of separation.

(1) Leave Without Pay - Credit is given for all LWOP up to six months in a calendar year, except for performance of military service covered under the provisions of the Uniformed Service Employment and Reemployment Rights Act of 1994 (USERRA) and P.L. 103-353 as covered in Chapter 16.

(2) OWCP - All time while receiving OWCP benefits is fully creditable as long as the employee is eventually restored to Federal employment.

c. Deposit Service.

(1) Any period of service not covered by CSRS or FERS retirement deductions is called deposit or nondeduction service. Generally, this would be non-career time, such as temporary or indefinite.

(2) Deposit Due - Is the amount that would have been contributed to the Retirement Fund plus interest.

(3) Effect on Annuity - Service Performed Prior to 1 October 1982.

(a) Fully creditable for retirement eligibility and computation purposes.

(b) If deposit is not made, annuity is reduced by 10% of deposit due.

(c) If the deposit is unpaid at time of retirement, OPM assumes the retiree wants the 10% reduction.

(d) If retiree wants to be informed of the amount of deposit due and the effect on annuity, a written request must be attached to the retirement application.

(4) Effect on Annuity - Service Performed After 30 September 1982.

(a) Fully creditable for retirement eligibility purposes.

(b) If deposit is not made, service is not creditable for computation purposes.

(c) If the deposit is unpaid at time of retirement, the retiree is notified of the amount of deposit due and the rate of annuity if deposit is paid or not paid.

d. Redeposit Service.

(1) Creditable civilian service where retirement deductions were taken, but later refunded after a separation from Federal employment.

(2) Amount of Redeposit - Redeposit is amount of refund plus interest.

(3) Effect on Annuity - Refund based on a separation prior to 1 October 1990.

(4) Fully creditable for retirement eligibility and computation purposes.

(5) If the redeposit is not made, the annuity is subject to an actuarial reduction based on the amount of the redeposit due and the retiree's age at time of retirement.

(6) If the redeposit is unpaid at time of retirement, the retiree is notified of the amount of redeposit due and the rate of annuity if the redeposit is paid or not paid.

**NOTE:**

Above does not apply if the annuity is based on disability retirement, or is a death-in-service case.

(7) Effect on Annuity - Refund Based on Separation after 30 September 1990; Disability Retirees; Death-In-Service.

(a) Fully creditable for retirement eligibility purposes.

(b) If the redeposit is not made, the service is not creditable for computation purposes.

(c) If the redeposit is unpaid at the time of retirement, the retiree is notified of the amount of redeposit due and the rate of annuity if the redeposit is paid or not paid.

4-2. **FERS - Crediting Civilian Service.**

a. All service performed for the Federal Government (Executive, Judicial, or Legislative branches) is potentially creditable toward determining if an employee is eligible to retire if it meets all three tests of Federal employment.

(1) Engaged in the performance of a Federal function.

(2) Appointed or employed by a Federal Officer.

(3) Under the direction and supervision of Federal official.

b. Normally, full time credit is allowed for all time elapsing between the date of appointment and the date of separation.

(1) Leave Without Pay - Credit is given for all LWOP up to six months in a calendar year, except for performance of military service covered under the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) - P.L. 103-353 as covered in Chapter 16.

(2) OWCP - All time while receiving OWCP benefits is fully creditable as long as the employee is eventually restored to Federal employment.

(3) Interim or Offset Service.

(4) CSRS Service that is not part of a CSRS Component - Fully creditable if covered by deductions or deposit has been made.

(5) Non-Deduction Service (includes service under other Federal retirement systems) - Fully creditable if PERFORMED PRIOR to 1 January 1989, AND deposit has been made. No credit if performed on or after 1 January 1989.

c. Deposit Service.

(1) Any period of civilian service not covered by FERS or CSRS retirement deductions is called Deposit or Non-deduction Service.

(2) Creditability.

(a) To be creditable for BOTH retirement eligibility and computation purposes:

1. The non-deduction service must be performed prior to 1 January 1989, and
2. A deposit must be made

(b) A deposit may NOT be made for non-deduction service performed on or after 1 January 1989. Such service is not creditable for retirement eligibility or computation purposes.

(3) Deposit Due - 1.3% of the base pay earned during the period of non-deduction service, plus interest.

d. Redeposit. A refund of FERS retirement contributions may be paid back and the service covered by such refund is creditable for retirement purposes.

## **Section V - Crediting Military Service**

### **5-1. CSRS - Crediting Military Service for Retirement Purposes.**

a. Military Deposit - For military service performed on or after 1 January 1957, a deposit of 7% of military basic pay earned during the post-1956 military service, plus interest is due.

b. Post-56 Military Service Deposit - First Employed Prior to 1 October 1982.

(1) If ENTITLED to Social Security at time of retirement (age 62 or older): Post-56 military service not used unless deposit was made prior to retirement.

(2) If NOT ENTITLED to Social Security at time of Retirement (under age 62): All military service will be used in the computation.

(3) If an annuitant who retired prior to age 62 is ENTITLED to Social Security at age 62: The annuity will be recomputed to exclude Post-56 military service unless deposit was made prior to retirement.

c. Post-56 Military Service Deposit - First Employed on or After 1 October 1982.

(1) If employee MAKES the military deposit: Service credited regardless of Social Security entitlement.

(2) If employee DOES NOT MAKE the military deposit: Service is NOT credited regardless of Social Security entitlement.

#### **NOTE:**

Service is not credited for both eligibility and computation purposes.

(3) Deposit Due: 7% of base pay earned during Post-56 military service PLUS interest.

(4) Interest: No interest if paid in full by 30 September 1986, or within 2 years of the date of first employment under CSRS, whichever is later; variable interest rate thereafter, compounded on an annual basis.

### **5-2. FERS - Crediting Military Service for Retirement Purposes.**

a. Military service is NOT creditable for eligibility or computation purposes unless the required deposit is made before retirement.

b. Military Deposit.

(1) A deposit is required in order to receive credit for military service performed on or after 1 January 1957.

(2) Deposit Due: 3% of the base pay earned during the Post-56 military service plus interest.

(3) Interest Accrual Date (IAD) - Interest starts and is compounded annually beginning two years from the date first employed.

(4) Periods with different IAD's will not process at once. The employee must notify HRO-Services when a period is paid so the next period can be paid.

### **Section VI - Contribution, Refund and CSRS Offset**

6-1. **Voluntary Contributions for CSRS Employees.** CSRS technicians may increase their retirement benefits by applying for and making voluntary contributions to the retirement fund. For each \$100.00 contributed in addition to the regular deduction, the annuity is increased by \$7.00 a year plus 20 cents for each full year the technician is over age 55 at retirement. A technician is not eligible to make a voluntary contribution if any deposit or redeposit is owed for prior service.

#### 6-2. **Refund of Retirement Contributions.**

a. Individuals terminating technician employment, who had retirement deductions withheld from their pay, but do not qualify for an immediate annuity, may either leave the deductions on deposit with the Civil Service Retirement System or the Federal Employees Retirement System and draw a deferred annuity (if eligible) or may withdraw the deductions.

b. Upon termination, each technician will be provided an Application for Refund of Retirement Deductions form with the instructions for submission. Normal processing of funds takes 8 to 12 weeks.

#### 6-3. **The CSRS Offset.**

a. If an individual who has vested in the CSRS (i.e., worked five or more years for the federal government), separates from the federal government for more than one year, and is then reemployed by the federal government after December 31, 1983, that individual will be subject to what is known as the CSRS-Offset.

b. The individual will pay Social Security, and he will also contribute a minimal amount to the Civil Service Retirement System, NOT the FERS. The total taken from the employee's pay check will generally be equal to what he would contribute to the pure CSRS. Once rehired, the employee will be given a period of six months to decide if he wishes to transfer to the

FERS. If the individual transfers, he will immediately receive the 1 percent government contribution to the Thrift Plan and will be eligible immediately for the government match if he elects to contribute to the Plan.

c. If the individual chooses NOT to transfer, he remains in the Offset, paying both Social Security and a nominal amount to the CSRS until the individual's basic salary exceeds the Social Security wage base (the point at which annual Social Security taxes are no longer withheld) then, until the end of the calendar year, the employee will pay the full CSRS contribution (7 percent of pay) into the CSRS. When the Offset employee retires, he will receive a full CSRS benefit until age 62. Then, at age 62, the earliest possible age to receive Social Security benefits, the Offset employee's CSRS benefit will be recalculated to take into account the years of federal employment that were covered both by CSRS and Social Security. The CSRS benefit will be reduced, or "offset", by a portion of the Social Security benefits received. The amount of the reduction is determined by a complicated formula, with the end result being that the employee receives a slightly higher benefit than he would if he were in the pure CSRS his entire career.

## **Section VII - Alternative Annuity and Death In-Service Benefits**

### **8-1. Election of Alternative Form of Annuity (AFA).**

a. The Alternative Form of Annuity (AFA) consists of a payment of:

Unrefunded retirement deductions  
Civilian service credit deposits  
Military service credit deposits  
Interest on any unrefunded deductions and deposits made before 1957 plus a reduced annuity

b. A technician may be eligible to elect the AFA if he/she is eligible for a nondisability annuity and has a life-threatening affliction or other critical medical condition as defined by Office of Personnel Management and is so severe as to reasonably limit the technicians's life expectancy to less than 2 years.

8-2. **Death In-Service Benefits.** The HRO will assist family members in filing a claim for all death benefits in connection with technician employment. This includes the basic death benefit, unpaid compensation, Thrift Savings, and Federal Employees Group Life Insurance. The HRO should be notified immediately in the event of a death of a technician. Death benefits will include the following as applicable:

#### **a. Leave**

(1) Annual - Unused hours accrued as of date of death are liquidated in a lump-sum to the employee's beneficiary.

- (2) Sick - No payment is made for unused sick leave.

**b. Health Insurance**

(1) If the employee was in self and family enrollment at the date of death AND there is survivor annuity payable to a spouse and/or children, the survivor can continue the health insurance coverage. The premiums will be deducted from the survivor annuity with the survivor continuing to receive the government contribution.

**NOTE:**

If a FERS employee dies within at least 18 months of service but less than 10 years, the surviving spouse can continue the health benefits enrollment even though there is no survivor annuity payable. The spouse will be required to make direct payment to OPM for the health insurance premium.

(2) OPM will where applicable, change it to self only if there are no other family members.

(3) If the employee was in a self and family enrollment at the date of death but there is NO survivor annuity payable, the enrollment terminates with the survivors having the right to convert to a private policy within 30 days.

(4) If the employee was in self only enrollment at the date of death, the enrollment terminates at death with no right to enroll or convert for the survivors.

**c. Life Insurance.**

(1) Any life insurance benefits payable would be paid in the following order:

- (a) Designated beneficiary (SF 2823)
- (b) Widow or widower
- (c) Child or children in equal shares
- (d) Parents
- (e) Administrator or executor of the estate
- (f) Next of kin

(2) HRO will make a preliminary determination of who is entitled to the insurance and have them complete a FE 6 claim form and send to OFEGLI with a certified copy of the death certificate.

(3) If claim is being made for accidental death, survivors will document the circumstances surrounding the death of the employee.

**d. Survivor Benefits (Death-in-Service Eligibility CSRS/FERS)**

(1) Generally, the employee must have 18 months of creditable civilian service and be covered by CSRS or FERS at the date of death. The surviving spouse must have been married to the employee for at least 9 months. The length of marriage requirement is deemed satisfied in cases involving accidental death. Children must be unmarried, under the age of 18 (or 22 if attending school) or any age if disabled before age 18.

(2) If the employee has less than 18 months of service or no eligible survivor, all that is payable is a lump sum payment of his annuity contributions. Such contributions will be paid to the employee's designated beneficiary or, in the absence of a designated beneficiary, in the federal order of precedence.

**e. Survivor Benefits Payable - FERS**

(1) If the employee has at least 18 months but less than 10 years of service, the surviving spouse will receive:

(a) Lump Sum of \$29,722.95 in 2009, indexed to CPI plus

(b) Lump sum of the higher of 1/2 annual basic pay at time of death or 1/2 High-3 year average plus

(c) Any Social Security benefits payable plus

(d) All money in the Thrift Savings Plan may transfer to TSP's if spouse is a Federal employee or to IRA of choice.

(2) If the employee has more than 10 years of service, the surviving spouse will receive:

(a) All the benefits listed in paragraph above plus

(b) An annuity equal to 50 percent of the employee's earned basic annuity as of date of death.

(c) Children receive a monthly amount which is a flat dollar amount. The amount payable is reduced by any Social Security benefits payable to the children on account of the employee's death

**f. Survivor Benefits Payable - CSRS Offset**

(1) The survivor annuitant will receive 55 percent of the yearly annuity which the deceased employee had earned at the time of death.

(2) This earned annuity is computed in the same manner as if the employee had retired, but without reduction for being under age 55.

(3) There is a guaranteed minimum annuity of 55 percent of the lesser of:

(a) 40 percent of the employee's high-3 average pay, or

(b) The regular annuity obtained after increasing the deceased employee's service by the period of time between the date of death and the date he/she would have reached age 60.

**NOTES:**

1. When considering "b" and "c" above, what you are actually doing is computing a disability annuity for the deceased employee and the spouse will receive 55 percent of what the employee would have received under disability retirement.

2. Children receive a monthly annuity amount which is a flat dollar amount. The amount payable is NOT reduced by any Social Security benefits payable to the children on account of the employee's death.

**g. Retirement Computation Notes.**

(1) If the employee owed a CSRS or FERS deposit for non-deduction service, a CSRS redeposit for refunded service, or a Post-56 military deposit for military service on or after 1-1-

1957, the spouse will have the opportunity to make payment if such payment will increase the survivor annuity.

(2) OPM will inform the spouse of any deposit or redeposit due and the affect of payment on the survivor benefit.

(3) The HRO will counsel the survivor on any Post-56 military deposit due.

**h. Social Security Benefits.** The HRO will refer survivor to local Social Security Office for a determination of entitlement and amount of benefits.

**i. Thrift Savings Plan.** All money in the employee's TSP account is payable in the following order:

- (1) Designated beneficiary
- (2) Widow or widower
- (3) Child/children
- (4) Parents
- (5) Administrator of estate
- (6) Next of kin