

# Update Notice

## Handbook EL-502, CSRS Retirement Guide February 2005

Handbook EL-502, *CSRS Retirement Guide*, was last printed in February 2005. To inform you of changes since that time, we periodically update this online edition of the handbook. We use vertical bars (i.e., revision bars) in the margin to indicate text changed since February 2005.

### How to Use This Update Notice

- Use this update notice to find out about changes, which were published in the *Postal Bulletin*, that have occurred since the last printed version.
- Find the chapter, subchapter, part, section, or system of records in the first column and read across the other columns to find specific information about that revision.

This online version of EL-502, *CSRS Retirement Guide*, published in February 2005, is updated through July 20, 2006, with the following *Postal Bulletin* articles:

This chapter, subchapter, part, or section...	titled...	was updated . . .	in <i>Postal Bulletin</i> issue number...	with an issue date of...
<b>Chapter 2, Overview</b>				
Exhibit 231.31	Present Value Factors	to reflect the Office of Personnel Management annual release of its new table of Present Value Factors, effective October 2004.	22152	4-14-2005
232.5	Military Retired Pay	in item b to show the current reference for military retired pay.	22152	4-14-2005
233	Annuity Limitation of 80 Percent	to correct erroneous information published in the February 2005 edition. The second paragraph is corrected to state that unused sick leave and voluntary contributions to the Civil Service Retirement System fund may be creditable to provide an annuity above 80 percent of high-3 average salary.	22185	7-20-2006
254.2	Computation of the AFA	in the example to be consistent with new Present Value Factor table (Exhibit 231.31).	22152	4-14-2005



## CSRS Retirement Guide

Handbook EL-502

February 2005

1. **Purpose.** One of the key strategies of the Postal Service™ Transformation Plan is to retain and recruit quality employees. Retirement benefits are a critical component of that strategy. This guide will help explain these benefits for employees who are planning to retire in the near future and have retirement coverage under the Civil Service Retirement System (CSRS), CSRS Offset, or Federal Employment System (FERS) with CSRS Frozen Service. The information provided within is to guide them through the retirement process and explain their benefit options.
2. **Explanation.** This guide is updated to incorporate revised Office of Personnel Management (OPM) regulations.
3. **Distribution**
  1. **Online.** Handbook EL-502 is available on the Postal Service Intranet on the Policy-Net Web site at <http://blue.usps.gov/cpim>, click on *HBKs*.
  2. **Additional Copies.** You may order printed copies from the Material Distribution Center (MDC) using the Touch Tone Order Entry (TTOE) system. Call 800-332-0317, choose option 2.  
**Note:** You must be registered to use TTOE: to register, call 800-332-0317, choose option 1, then extension 2925, and follow the prompts to leave a message. Wait 48 hours after registering before you place your first order.
4. **Comments and Questions.** Submit any comments and questions in writing to:  
RETIREMENT PROGRAMS  
US POSTAL SERVICE  
475 L'ENFANT PLAZA SW RM 9670  
WASHINGTON DC 20260-4210
5. **Effective Date.** This handbook is effective January 2005.
6. **Obsolete Copies.** Destroy all previous copies of Handbook EL-502.

A handwritten signature in black ink, appearing to read "DeWitt O. Harris".

DeWitt O. Harris  
Vice President  
Employee Resource Management

# Contents

<b>1</b>	<b>General Information</b>	<b>1</b>
11	Purpose	1
12	Federal Employees Retirement System	1
13	National Retirement Counseling System	1
<b>2</b>	<b>Overview</b>	<b>3</b>
21	Overview	3
22	Creditable Service	3
221	Retirement Eligibility Date	3
222	Retirement Computation Date	3
223	Sick Leave	8
23	Determining Service Credit	9
231	Civilian Service	9
231.1	Assumption	9
231.2	Deposit or Nondeduction Service	9
231.21	Service Performed Before October 1, 1982	9
231.22	Service Performed On or After October 1, 1982	10
231.23	Amount of Deposit	10
231.3	Redeposit for Refunded Service	10
231.31	Refunded Service Terminated Before October 1, 1990	10
231.32	Refunded Service Terminated On or After October 1, 1990	11
231.4	Deposits and Redeposits Subject to Interest	12
231.41	General Information	12
231.42	Interest on Deposits for Nondeduction Service	12
231.421	Rates for Service Performed Before October 1, 1982	12
231.422	Rates for Service Performed On or After October 1, 1982	12
231.43	Interest on Redeposits for Refunded Service	12
231.431	Rates for Redeposits for Service Before October 1, 1990	12
231.432	Rates for Redeposits for Service On or After October 1, 1990	13
231.5	Payment of Deposit or Redeposit	13
231.51	Application	13
231.52	Exceptions	13
231.53	For More Information	13
231.6	Voluntary Contributions	13
231.61	Application	13
231.62	Restrictions	14
232	Military Service	14

232.1	Service Before January 1957 .....	14
232.2	Post-1956 Military Service .....	14
232.3	Employed Before October 1, 1982 .....	14
232.4	Employed On or After October 1, 1982 .....	15
232.5	Military Retired Pay .....	15
232.6	Waiver of Military Retired Pay .....	15
232.7	Deposit for Military Service .....	16
233	Annuity Limitation of 80 Percent .....	16
234	CSRS Offset .....	16
24	Salary History .....	17
25	Annuity Calculation .....	17
251	Factors Affecting the Annuity .....	17
251.1	Primary Factors Affecting the Annuity Amount .....	17
251.11	Length of Service .....	17
251.12	High-3 Average Pay .....	17
251.2	Other Considerations Affecting the Annuity Amount .....	17
251.21	Reductions .....	17
251.22	Proration for Part-Time Service .....	17
251.23	Additional Annuity .....	18
252	Determining the Amount of the Annuity .....	18
252.1	General Formula .....	18
252.2	Service Factor Method .....	18
253	Computation for Part-Time Service .....	20
253.1	Service Performed Before April 7, 1986 .....	20
253.2	Service Performed On or After April 7, 1986 .....	20
253.3	Pre- and Post-April 6, 1986, Service .....	20
254	Alternative Form of Annuity .....	20
254.1	Eligibility and Payment .....	20
254.2	Computation of the AFA .....	20
26	Annuity Commencement Date .....	21
27	Rounding Down of Civil Service Annuities .....	22
28	Cost-of-Living Adjustment .....	22
29	Other Annuity Information .....	22
291	Retirement Deductions .....	22
292	Annual Leave Balance — Terminal Leave Payment .....	22
293	Deductions from Annuity .....	23

<b>3</b>	<b>Survivor Benefits</b>	<b>25</b>
31	Survivor Benefits Elections	25
311	Election for Current Spouse	25
312	Spouse's Written Consent to Reduce Annuity	25
313	Survivor Annuity for Former Spouse	26
313.1	Court-Ordered Provision	26
313.2	Voluntary Provision	26
313.3	Effect on Current Spouse Survivor Annuity	26
32	Designating a Base	26
33	Determining the Cost	27
34	Annuity Election Changes After Retirement	27
341	Election for Current Spouse	27
342	Changes in Marital Status	27
343	Marriage After Retirement	27
35	Insurable Interest Election	28
351	Eligibility	28
352	Determining the Cost	28
353	Election for Current Spouse	28
36	Surviving Children	28
<b>4</b>	<b>Insurance and Other Benefits</b>	<b>29</b>
41	Federal Employees' Group Life Insurance	29
411	Description of Coverage	29
412	Requirements for Continuation	29
413	Reduction in Basic Life Insurance Coverage After Retirement	29
414	Reduction in Optional Insurance Coverage After Retirement	30
415	Certification of Insurance Status and Conversion	32
416	For More Information	32
42	Federal Employees Health Benefit Program	32
421	Description	32
422	Requirements for Continuation	32
423	Employee Organization Plan	33
424	Benefits	33
425	Cost of Coverage	33
426	Medicare	33
43	Long Term Care	33
44	Thrift Savings Plan	34
441	Statement of Earnings	34
442	Withdrawing and Distributing Accounts	34
442.1	Transfer to IRA	34

442.2	Lump Sum Payment .....	34
442.3	Installment Payments .....	34
442.4	Life Annuity .....	35
45	Social Security Administration and Medicare Benefits .....	35
451	Qualifying for Benefits .....	35
452	How a Civil Service Retirement Annuity Can Affect Your Social Security Benefits .....	35
452.1	What the Windfall Elimination Provision Means .....	35
452.2	What the Government (Public) Pension Offset Means .....	36
453	Medicare Benefits .....	37
454	Social Security Publications .....	37
46	Flexible Spending Accounts .....	37
461	Termination of Accounts With Retirement .....	37
462	Deadline for Withdrawal Requests .....	37
463	Contributions While on Postal Service Rolls .....	38
463.1	Regular Contributions .....	38
463.2	Missed Contributions .....	38
464	For More Information .....	38
<b>5</b>	<b>Counseling Services .....</b>	<b>39</b>
51	Postal Service Counseling for Employees .....	39
52	Office of Personnel Management Counseling for Retirees and Survivors .....	39
53	Social Security Administration Assistance .....	39
54	Federal Retirement Thrift Investment Board Assistance .....	40
<b>6</b>	<b>Processing the Retirement Application .....</b>	<b>41</b>
61	Employee Responsibility .....	41
611	Selecting the Date .....	41
612	Contacting a Counselor .....	41
613	Application for Retirement .....	41
613.1	General Information .....	41
613.2	Reminder .....	42
614	Review of Federal and Postal Service History .....	42
614.1	Verifying Your Service and Benefits .....	42
614.2	Reviewing the Retirement History Report .....	43
614.3	Supplying Missing Documentation .....	43
614.4	Verifying Retirement Eligibility .....	43
615	Military Discharge Certificates .....	43
62	Employing Office Responsibility .....	43
63	Office of Personnel Management .....	44
631	Receipt of Retirement Package .....	44

## Contents

632	OPM Review .....	44
633	Interim Annuity Payments .....	44
634	Processing by Claims Examiner .....	44
64	Direct Deposits .....	44
641	Required Method of Payment .....	44
642	Required Form .....	45
65	Taxing Your Annuity .....	45
651	Federal Income Tax Withholding .....	45
651.1	Provision .....	45
651.2	Taxable Portion of Annuity .....	45
652	State Income Tax Withholding .....	45
652.1	Voluntary Withholding Program .....	45
652.2	Withholding Request .....	45
66	Avoiding Delays .....	46
67	Mailing Instructions .....	46
671	Final Pay and Terminal Leave Payment .....	46
672	Annuity Payments .....	46
673	Ensuring Receipt of Annuity Payments .....	47
68	Information Assistance .....	47
681	Documenting CSA Number .....	47
682	Requesting Information .....	47
<b>7</b>	<b>Death Benefits .....</b>	<b>49</b>
71	General Information .....	49
72	Survivor Annuity .....	49
721	Death in Service .....	49
722	Death After Retirement .....	51
723	Exception .....	51
724	Duration of Survivor Annuity .....	51
73	Lump Sum Benefits .....	51
731	Amount .....	51
732	Order of Precedence .....	51
74	Death Claims .....	52
741	Death in Service .....	52
741.1	Notification .....	52
741.2	Documentation Required .....	52
741.3	Obtaining Claim Forms .....	52
742	Death After Retirement .....	52
742.1	OPM Notification .....	52
742.2	Return of Annuity Checks .....	53

742.3	Notification to Financial Institution .....	53
742.4	Obtaining Claim Forms .....	53
<b>8</b>	<b>FERS Transferees With Frozen CSRS Benefits .....</b>	<b>55</b>
81	Introduction .....	55
82	Eligibility .....	55
83	Annuity Computations .....	56
831	High-3 Average Salary .....	56
832	Service .....	56
833	Reduction .....	56
84	Credit for Sick Leave .....	57
85	Annuity Commencement Date .....	57
86	Cost-of-Living Adjustments .....	57
87	Survivor Benefits .....	57
88	Public Pension Offset .....	57
89	FERS Application for Retirement .....	58



# Exhibits

Exhibit 21	
Annuity Estimate Example .....	4
Exhibit 223	
Sick Leave Conversion Chart .....	8
Exhibit 231.31	
Present Value Factors .....	11
Exhibit 231.41	
Variable Interest Rates .....	12
Exhibit 252.2	
Chart for Computing Annuity .....	19
Exhibit 412	
Premiums and Reductions to Value .....	31
Exhibit 71	
Personal Records Locator .....	50
Exhibit 82	
Minimum Retirement Ages .....	56

This page intentionally left blank

# 1 General Information

## 11 Purpose

---

If you are planning to retire within the near future and are covered under the regular Civil Service Retirement System (CSRS) or CSRS Offset, this handbook is for you. It is designed to guide you through the retirement process and provide you with information on the following:

- a. Annuity and survivor benefit calculations.
- b. Other benefits — such as health benefits, life insurance, and the Thrift Savings Plan (TSP).
- c. Procedures and time frames involved in applying for retirement.
- d. What to expect in retirement.

**Note:** For more information on specifics regarding CSRS Offset service, see OPM pamphlet RI 83-19, *CSRS Offset Retirement*, available from your personnel office or on the Internet at [www.opm.gov/retire/html/library/csrs.asp](http://www.opm.gov/retire/html/library/csrs.asp).

## 12 Federal Employees Retirement System

---

If you are covered under the Federal Employees Retirement System (FERS), contact your employing office for information about that program. OPM pamphlet RI 90-1, *Federal Employees Retirement System (An Overview of Your Benefits)*, is available in your local personnel office. If you transferred to FERS with frozen CSRS service, refer to Chapter 8 of this handbook, FERS Transferees With Frozen CSRS Benefits.

## 13 National Retirement Counseling System

---

The Postal Service™ implemented the National Retirement Counseling System (NARECS) to ensure that all employees who become eligible for retirement are provided with in-depth information and counseling to make informed decisions to prepare for retirement. A computer-generated report called an *annuity estimate* is mailed twice each year to the home address of those employees currently eligible for retirement. Those employees who are within 3 years of retirement eligibility may request an annuity estimate by contacting their personnel office. An example of an annuity estimate appears as Exhibit 21, Annuity Estimate Example.

This page intentionally left blank

# 2 Overview

## 21 Overview

---

The annuity estimate gives you the approximate amount of your benefit and also provides other pertinent information, such as the amount of terminal leave payment and the cost of health and life insurance in retirement. Remember, the annuity is simply an estimate. When you retire, the Office of Personnel Management (OPM) computes your benefit and advises you of the exact amount. An example of an annuity estimate (a universal estimate form and alternate disclaimers for different retirement codes) is shown in Exhibit 21, Annuity Estimate Example, and its contents are explained throughout this handbook.

## 22 Creditable Service

---

### 221 Retirement Eligibility Date

The retirement eligibility date is the earliest date you meet both the age and service requirements for optional retirement.

#### Eligibility Requirements for Optional Retirement

Age	Years of Service
55	30
60	20
62	5

### 222 Retirement Computation Date

The retirement computation date (RCD) is the date used to determine your creditable years of service for retirement purposes.

**Example:** RCD = 12/10/1975  
20 years of service = 12/10/1995  
30 years of service = 12/10/2005

## Exhibit 21

**Annuity Estimate Example - Page 1****Universal Estimate Form and Alternate Disclaimers for Different Retirement Codes****Estimate (Used for All Retirement Codes)**

USPS FIN 99-9999 HRIS Report AAF240P1 B/A FDC SUB		National Retirement Counseling System Annuity Estimate As of Pay Period 20 of 1999		Date XX/XX/XXXX Page 1 SSN 999-99-9999 RET FICA Code 1 Logon ID SD9999																																																							
Creditable Service Retirement Eligibility Date 10/19/2002 Retirement Computation Date 04/23/66 Date of Birth 10/19/47  <table style="width: 100%;"> <tr> <td style="text-align: right;">Total Actual Service</td> <td style="text-align: center;">Years</td> <td style="text-align: center;">Months</td> <td style="text-align: center;">Days</td> </tr> <tr> <td style="text-align: right;">(Title to Annuity Is Determined From This Total)</td> <td style="text-align: center;">38</td> <td style="text-align: center;">3</td> <td style="text-align: center;">8</td> </tr> </table> Time Represented by Sick Leave <table style="width: 100%;"> <tr> <td style="text-align: right;">Total Time</td> <td style="text-align: center;">38</td> <td style="text-align: center;">9</td> <td style="text-align: center;">11</td> </tr> </table>			Total Actual Service	Years	Months	Days	(Title to Annuity Is Determined From This Total)	38	3	8	Total Time	38	9	11	<table style="width: 100%;"> <tr> <td style="width: 50%;">Retirement Contributions</td> <td style="width: 25%; text-align: right;">94,738.74</td> <td style="width: 25%;">(Incl. MIL Dep., if Any)</td> </tr> <tr> <td>Annual Leave Earned Bal.</td> <td style="text-align: right;">499</td> <td></td> </tr> <tr> <td>Hours Forfeited</td> <td></td> <td></td> </tr> <tr> <td>Annual Leave Bal.</td> <td style="text-align: right;">499</td> <td></td> </tr> <tr> <td>Terminal Leave Pmt.</td> <td style="text-align: right;">17,133</td> <td></td> </tr> </table> <table style="width: 100%;"> <tr> <td style="width: 33%;">Insurance</td> <td style="width: 33%;">Coverage</td> <td style="width: 34%;">Deductions</td> </tr> <tr> <td>Life</td> <td></td> <td>Employee    Annuitant Monthly</td> </tr> <tr> <td>Basic</td> <td style="text-align: right;">74,000</td> <td>None        159.47</td> </tr> <tr> <td>Option A</td> <td style="text-align: right;">10,000</td> <td>2.70        5.85</td> </tr> <tr> <td>Option B ( x )</td> <td></td> <td></td> </tr> <tr> <td>Option C ( x )</td> <td></td> <td></td> </tr> <tr> <td colspan="3" style="text-align: center;">(Spouse/Child)</td> </tr> <tr> <td>Health</td> <td style="text-align: right;">105</td> <td>62.85        244.57</td> </tr> </table>			Retirement Contributions	94,738.74	(Incl. MIL Dep., if Any)	Annual Leave Earned Bal.	499		Hours Forfeited			Annual Leave Bal.	499		Terminal Leave Pmt.	17,133		Insurance	Coverage	Deductions	Life		Employee    Annuitant Monthly	Basic	74,000	None        159.47	Option A	10,000	2.70        5.85	Option B ( x )			Option C ( x )			(Spouse/Child)			Health	105	62.85        244.57			
Total Actual Service	Years	Months	Days																																																								
(Title to Annuity Is Determined From This Total)	38	3	8																																																								
Total Time	38	9	11																																																								
Retirement Contributions	94,738.74	(Incl. MIL Dep., if Any)																																																									
Annual Leave Earned Bal.	499																																																										
Hours Forfeited																																																											
Annual Leave Bal.	499																																																										
Terminal Leave Pmt.	17,133																																																										
Insurance	Coverage	Deductions																																																									
Life		Employee    Annuitant Monthly																																																									
Basic	74,000	None        159.47																																																									
Option A	10,000	2.70        5.85																																																									
Option B ( x )																																																											
Option C ( x )																																																											
(Spouse/Child)																																																											
Health	105	62.85        244.57																																																									
RSC: E GR/Step: 20/ S/P: Salary: 71,418.00 Retirement Type: Optional				Exceptions:																																																							
Annuity Estimate Based on Retirement Effective Date of 8/01/2004																																																											
<table style="width: 100%;"> <tr> <th colspan="6" style="text-align: center;">Salary History</th> </tr> <tr> <th>From</th> <th>To</th> <th>Yrs</th> <th>Mns</th> <th>Days</th> <th>Annual Rate</th> <th>Gross Pay</th> </tr> <tr> <td>12/27/2003</td> <td>08/01/2004</td> <td>0</td> <td>7</td> <td>4</td> <td>71,418</td> <td>42,454</td> </tr> <tr> <td>12/28/2002</td> <td>12/27/2003</td> <td>0</td> <td>11</td> <td>29</td> <td>69,003</td> <td>68,811</td> </tr> <tr> <td>12/29/2001</td> <td>12/28/2002</td> <td>0</td> <td>11</td> <td>29</td> <td>66,734</td> <td>66,548</td> </tr> <tr> <td>08/01/2001</td> <td>12/29/2001</td> <td>0</td> <td>4</td> <td>28</td> <td>64,665</td> <td>26,584</td> </tr> </table>   <table style="width: 100%;"> <tr> <td style="width: 60%;">High-3 Average Salary</td> <td style="text-align: right;">68,132</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">3</td> </tr> </table>				Salary History						From	To	Yrs	Mns	Days	Annual Rate	Gross Pay	12/27/2003	08/01/2004	0	7	4	71,418	42,454	12/28/2002	12/27/2003	0	11	29	69,003	68,811	12/29/2001	12/28/2002	0	11	29	66,734	66,548	08/01/2001	12/29/2001	0	4	28	64,665	26,584	High-3 Average Salary	68,132	Total	3	<table style="width: 100%;"> <tr> <td style="width: 30%;"></td> <td style="width: 30%; text-align: right;">Gross / Gross</td> <td style="width: 40%;"></td> </tr> <tr> <td></td> <td style="text-align: right;">Annual / Monthly</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Annuity / Annuity</td> <td></td> </tr> </table>  With / 44,879    3,739 Without 49,566    4,130 Survivor Benefits Survivors (Spouse) Gross Monthly Annuity 2,371			Gross / Gross			Annual / Monthly			Annuity / Annuity	
Salary History																																																											
From	To	Yrs	Mns	Days	Annual Rate	Gross Pay																																																					
12/27/2003	08/01/2004	0	7	4	71,418	42,454																																																					
12/28/2002	12/27/2003	0	11	29	69,003	68,811																																																					
12/29/2001	12/28/2002	0	11	29	66,734	66,548																																																					
08/01/2001	12/29/2001	0	4	28	64,665	26,584																																																					
High-3 Average Salary	68,132																																																										
Total	3																																																										
	Gross / Gross																																																										
	Annual / Monthly																																																										
	Annuity / Annuity																																																										
Jane Doe] 1234 Main Street] Anywhere        XX 99999-9999				Title: Purchasing Specialist Finance No. 00-0000 Anywhere        XX 99999-99																																																							

## Exhibit 21

**Annuity Estimate Example - Page 2****Disclaimers for Code 1, CSRS**

USPS FIN 01-0783  
Eagan ASC  
Report AAF240P1  
BA FDC 350 SUB

National Retirement Counseling System  
Annuity Estimate As of Pay Period 20 of 1999

Date XX/XX/XXXX  
Page 2  
SSN 999-99-9999  
RET FICA Code 1  
Logon ID SD9999

1. Estimate based on retirement effective date shown, assuming retirement computation data (RCD) is correct and you have at least 5 years' civilian service in addition to any military service. Office of Personnel Management (OPM) will compute exact amount of annuity.
2. Estimate computed as if all required retirement contributions are in retirement fund. Necessary deposits for noncareer service, redeposits for prior civilian service, and post-1956 military deposits not in the fund may affect estimate accuracy.
3. Retirement contributions reflect total withheld from salary during present USPS career appointment, and do not include contributions made at another agency, during a prior USPS appointment, deposits or redeposits, or voluntary contributions.
4. High-3 average salary reflects average of past three years' basic salary, including higher level but not overtime, night differential, awards, etc. OPM will compute on the consecutive 3-year period providing the highest average if other than this period.
5. If total service exceeds 41 years, 11 months, annuity is 80% of high-3 average salary. Additional annuity allowed for unused sick leave.
6. OPM's annuity computation prorates part-time service performed after April 6, 1986. Estimate does not include proration, which may affect estimate accuracy.
7. Military service after 1956 included in RCD without post-1956 deposit to the fund will cause annuity to be reduced at age 62 if eligible for a Social Security benefit. Employees whose first career hire began 09/30/82 or later must complete deposit before service credit allowed.
8. Survivor annuity amount reflects full survivor annuity.
9. Health insurance premium reflects monthly rate for federal annuity.
10. Terminal leave payment reflects earned annual leave balance or allowed maximum balance after forfeited hours.
11. Annual leave and sick leave hours represent hours earned as of pay period prior to date printout issued (date in upper right corner), not retirement effective date.
12. Premium costs for post-retirement life insurance coverage are for no reduction of insurance for each option, except Option A, and based on present age group as of estimated retirement date. Lower levels of insurance coverage will reduce premium costs.

The CSRS Retirement Guide, EL-502, provides detailed information on the various retirement facts noted on this printout. Contact Personnel for a copy of the EL-502.

Publications on the following are also available:

Thrift Savings Plan (TSP)  
Social Security Administration (SSA)  
Federal and State Income Taxes  
Federal Employees' Group Life Insurance (FEGLI)  
Federal Employees Health Benefit Program (FEHBP)

Social Security information and benefit estimates must be obtained from Social Security.

## Exhibit 21

**Annuity Estimate Example - Page 3****Disclaimers for Code 5, CSRS Offset**

USPS FIN 01-0783  
Eagan ASC  
Report AAF240P1  
BA FDC 350 SUB

National Retirement Counseling System  
Annuity Estimate As of Pay Period 20 of 1999

Date XX/XX/XXXX  
Page 2  
SSN 999-99-9999  
RET FICA Code 5  
Logon ID SD99999

1. Estimate based on retirement effective date shown, assuming retirement computation data (RCD) is correct and you have at least 5 years' civilian service in addition to any military service. Office of Personnel Management (OPM) will compute exact amount of annuity.
2. Estimate computed as if all required retirement contributions are in retirement fund. Necessary deposits for noncareer service, redeposits for prior civilian service, and post-1956 military deposits not in the fund may affect estimate accuracy.
3. Retirement contributions reflect total withheld from salary during present USPS career appointment, and do not include contributions made at another agency, during a prior USPS appointment, deposits or redeposits, or voluntary contributions.
4. High-3 average salary reflects average of past three years' basic salary, including higher level but not overtime, night differential, awards, etc. OPM will compute on the consecutive 3-year period providing the highest average if other than this period.
5. If total service exceeds 41 years, 11 months, annuity is 80% of high-3 average salary. Additional annuity allowed for unused sick leave.
6. OPM's annuity computation prorates part-time service performed after April 6, 1986. Estimate does not include proration, which may affect estimate accuracy.
7. Military service after 1956 included in RCD without post-1956 deposit to the fund will cause annuity to be reduced at age 62 if eligible for a Social Security benefit. Employees whose first career hire began 09/30/82 or later must complete deposit before service credit allowed.
8. Survivor annuity amount reflects full survivor annuity.
9. Health insurance premium reflects monthly rate for federal annuity.
10. Terminal leave payment reflects earned annual leave balance or allowed maximum balance after forfeited hours.
11. Annual leave and sick leave hours represent hours earned as of pay period prior to date printout issued (date in upper right corner), not retirement effective date.
12. Premium costs for post-retirement life insurance coverage are for no reduction of insurance for each option, except Option A, and based on present age group as of estimated retirement date. Lower levels of insurance coverage will reduce premium costs.
13. CSRS Offset employee will have CSRS annuity reduced at age 62 when eligible for Social Security benefit. Benefit estimates and offsets must be obtained from Social Security.

The CSRS Retirement Guide, EL-502, provides detailed information on the various retirement facts noted on this printout. Contact Personnel for a copy of the EL-502.

Publications on the following are also available:

Thrift Savings Plan (TSP)  
Social Security Administration (SSA)  
Federal and State Income Taxes  
Federal Employees' Group Life Insurance (FEGLI)  
Federal Employees Health Benefit Program (FEHBP)

Social Security information and benefit estimates must be obtained from Social Security.



## Exhibit 21

**Annuity Estimate Example - Page 4****Disclaimers for Code A, FERS With Frozen CSRS Service**

USPS FIN 01-0783  
Eagan ASC  
Report AAF240P1  
BA FDC 350 SUB

National Retirement Counseling System  
Annuity Estimate As of Pay Period 20 of 1999

Date XX/XX/XXXX  
Page 2  
SSN 999-99-9999  
RET FICA Code A  
Logon ID SD9999

1. Estimate based on retirement effective date shown, assuming retirement computation data (RCD) is correct and you have at least 5 years' civilian service in addition to any military service. Office of Personnel Management (OPM) will compute exact amount of annuity.
2. Estimate computed as if all required retirement contributions are in retirement fund. Necessary deposits for noncareer service, redeposits for prior civilian service, and post-1956 military deposits not in the fund may affect estimate accuracy.
3. Retirement contributions reflect total withheld from salary during present USPS career appointment, and do not include contributions made at another agency, during a prior USPS appointment, deposits or redeposits, or voluntary contributions.
4. High-3 average salary reflects average of past three years' basic salary, including higher level but not overtime, night differential, awards, etc. OPM will compute on the consecutive 3-year period providing the highest average if other than this period. FERS transfers effective during this period may affect estimate accuracy if higher level or LWOP occurred.
5. OPM's annuity computation prorates part-time service performed after April 6, 1986. Estimate does not include proration, which may affect estimate accuracy.
6. Military Service: If career hire before 10/01/82, military service credited in annuity without post-1956 deposit, with reduction at age 62 if eligible for Social Security (SS). Career Hire 9/30/82 or Later: No annuity credit without deposit. Military Service After Transfer to FERS: No credit without deposit.
7. Estimate includes a CSRS component based on CSRS frozen time and CSRS rules.
8. Survivor annuity amount reflects full survivor annuity.
9. Health insurance premium reflects monthly rate for federal annuity.
10. Annual leave balance and payment hours earned as of pay period prior to date estimate issued, or allowed maximum after forfeited hours. Sick leave reflects hours earned as of FERS transfer date or present balance, whichever is lower.
11. Premium costs for post-retirement life insurance coverage are for no reduction of insurance for each option, except Option A, and based on present age group as of estimated retirement date. Lower levels of insurance coverage will reduce premium costs.
12. Retirement benefits under FERS are from three sources: Basic Benefit (annuity), Social Security (SSA), Thrift Savings (TSP). Estimate provides annuity benefit only.

If this is a FERS disability estimate, first year annuity is 60% of high-3 average salary reduced by any Social Security (SS) benefits. Second year annuity is 40% of high-3 average salary reduced by 60% of any SS benefits. Estimate represents 40% computation prior to SS reduction. SS information and benefits must be obtained from Social Security Administration.

If this is an MRA+10 reduced benefit estimate, estimate includes 5% reduction/year for each year under age 62.

Publications on the following are available from personnel offices:

Federal Employees Retirement System (FERS)  
Civil Service Retirement System (CSRS)  
Thrift Savings Plan (TSP)  
Social Security Administration (SSA)  
Federal and State Income Taxes  
Federal Employees' Group Life Insurance (FEGLI)  
Federal Employees Health Benefit Program (FEHBP)

Social Security information and benefit estimates must be obtained from Social Security.

## 223 Sick Leave

Your unused sick leave hours, converted to years, months, and days, are added to your total actual service once you reach the age and service requirement (see Part 221, Retirement Eligibility Date). This combined time is used to compute your annuity. Although credit for accumulated sick leave increases the annuity, it is not used to compute the high-3 average salary (see Section 251.1, Primary Factors Affecting the Annuity Amount) or to meet the retirement eligibility service requirement. For this reason, it is listed as a separate item on the annuity estimate as "Time Represented by Sick Leave" (see Exhibit 223, Sick Leave Conversion Chart).

**Note:** For more information on sick leave credit, see OPM pamphlet RI 83-8, *Credit for Unused Sick Leave Under the Civil Service Retirement System*, available from your personnel office or on the Internet at [www.opm.gov/retire/html/library/csrs.asp](http://www.opm.gov/retire/html/library/csrs.asp).

Exhibit 223

### Sick Leave Conversion Chart

To convert sick leave hours to retirement service credit, find the number of sick leave hours in the chart under columns b through m. (If you cannot find the exact number, locate the next lower number.) The retirement credit is thus obtained, in months and days, from the months listed at the top of the column and the days noted in the far left column (column a). For example, 1,560 hours equals 9 months of service; 805 hours equals 4 months, 19 days of service (on the basis of 2,080 hours to the year).

a	b	c	d	e	f	g	h	i	j	k	l	m
No. of Days	Under 1 Mo.	1 Mo.	2 Mo.	3 Mo.	4 Mo.	5 Mo.	6 Mo.	7 Mo.	8 Mo.	9 Mo.	10 Mo.	11 Mo.
0	—	173	347	520	693	867	1040	1213	1387	1560	1733	1907
1	6	179	352	526	699	872	1046	1219	1392	1566	1739	1912
2	12	185	358	532	705	878	1052	1225	1398	1572	1745	1918
3	17	191	364	537	711	884	1057	1231	1404	1577	1751	1924
4	23	196	370	543	716	890	1063	1236	1410	1583	1756	1930
5	29	202	376	549	722	896	1069	1242	1416	1589	1762	1936
6	35	208	381	555	728	901	1075	1248	1421	1595	1768	1941
7	40	214	387	560	734	907	1080	1254	1427	1600	1774	1947
8	46	220	393	566	740	913	1086	1260	1433	1606	1780	1953
9	52	225	399	572	745	919	1092	1265	1439	1612	1785	1959
10	58	231	404	578	751	924	1098	1271	1444	1618	1791	1964
11	64	237	410	584	757	930	1104	1277	1450	1624	1797	1970
12	69	243	416	589	763	936	1109	1283	1456	1629	1803	1976
13	75	248	422	595	768	942	1115	1288	1462	1635	1808	1982
14	81	254	428	601	774	948	1121	1294	1468	1641	1814	1988
15	87	260	433	607	780	953	1127	1300	1473	1647	1820	1993
16	92	266	439	612	786	959	1132	1306	1479	1652	1826	1999
17	98	272	445	618	792	965	1138	1312	1485	1658	1832	2005
18	104	277	451	624	797	971	1144	1317	1491	1664	1837	2011
19	110	283	456	630	803	976	1150	1323	1496	1670	1843	2016
20	116	289	462	636	809	982	1156	1329	1502	1676	1849	2022
21	121	295	468	641	815	988	1161	1335	1508	1681	1855	2028
22	127	300	474	647	820	994	1167	1340	1514	1687	1860	2034
23	133	306	480	653	826	1000	1173	1346	1520	1693	1866	2040
24	139	312	485	659	832	1005	1179	1352	1525	1699	1872	2045
25	144	318	491	664	838	1011	1184	1358	1531	1704	1878	2051
26	150	324	497	670	844	1017	1190	1364	1537	1710	1884	2057
27	156	329	503	676	849	1023	1196	1369	1543	1716	1889	2063
28	162	335	508	682	855	1028	1202	1375	1548	1722	1895	2068
29	168	341	514	688	861	1034	1208	1381	1554	1728	1901	2074

## 23 Determining Service Credit

---

### 231 Civilian Service

#### 231.1 Assumption

The annuity estimate assumes that all periods of creditable civilian service are covered by retirement deductions. This may not be the case in your particular situation.

#### 231.2 Deposit or Nondeduction Service

Any period of service never covered by retirement deductions is called **deposit** or **nondeduction** service. Generally, this is noncareer time such as temporary, indefinite, casual, Transitional Employee, or Rural Carrier Associate service creditable for Social Security benefits with Social Security withholdings (shown as “FICA” or “OASDI”) on Postal Service and other agency earnings statements and W-2 forms. As explained below, deposit (nondeduction) service performed before October 1, 1982, differs from deposit (nondeduction) service performed on or after that date.

#### 231.21 Service Performed Before October 1, 1982

Service performed before October 1, 1982, for which no retirement fund deductions were made, is creditable in full in counting **total time for retirement eligibility**, whether or not a deposit is made.

To receive **full annuity**, however, a deposit must be paid in full to cover the period of nondeduction service. The deposit amount consists of the contributions that would have been due OPM for the nondeduction period if it had been career service, calculated at the appropriate CSRS or CSRS Offset contribution rate, plus 3 percent interest (accrued daily and compounded annually) on the total contributions due (see Section 231.421, Rates for Service Performed Before October 1, 1982, and Part 422, Requirements for Continuation).

If **no** deposit is paid, the actual annuity is reduced by 10 percent of the deposit amount due for this nondeduction service, and the reduction remains in effect for the life of the annuity.

**Example:** If the deposit and interest due is \$600 when your eligibility to retire is calculated, your annual annuity is reduced by 10 percent of \$600, or \$60 per year, if the deposit is not made. This translates into a reduction of \$5 a month (\$60 divided by 12 months) in your monthly annuity for as long as you receive it.

**When determining whether to make the deposit**, consider that although you are receiving a higher monthly annuity, it will take approximately 10 years for you to recover the full amount of the deposit. Only then can the advantage of a deposit be realized.

### 231.22 **Service Performed On or After October 1, 1982**

Service performed on or after October 1, 1982, for which no retirement fund contributions were paid is creditable in full in counting total time for retirement eligibility but is not creditable for **annuity** computation purposes unless the deposit, with interest, is made (see Section 231.4, Deposits and Redeposits Subject to Interest). Usually, it is to your advantage to make a deposit to cover nondeduction service performed on or after October 1, 1982.

### 231.23 **Amount of Deposit**

The deposit is computed as if regular retirement fund contributions were paid, as shown in the following table, plus interest.

Percent of Basic Pay	Service Period
3.5	Service before July 1, 1942
5	July 1, 1942, to June 30, 1948
6	July 1, 1948, to October 31, 1956
6.5	November 1, 1956, to December 31, 1969
7	After December 31, 1969

### 231.3 **Redeposit for Refunded Service**

A period of service for which retirement deductions were withheld and later refunded by OPM to an employee following a break in service of 30 days or more is referred to as *refunded service*. This period of service is creditable in full in counting total time for retirement eligibility. However, the rules for crediting refunded service toward the calculation of the **annuity** vary depending on when the service terminated.

### 231.31 **Refunded Service Terminated Before October 1, 1990**

Redeposit of funds to OPM for a period of refunded service is not required for the employee to receive credit for this service in calculating the annuity if the separation from rolls for that period occurred before October 1, 1990. If no redeposit is paid, the annuity is actuarially reduced (see Exhibit 231.31, Present Value Factors). This reduction takes into consideration the employee's age at retirement and the amount of unpaid redeposit and is determined by dividing the amount of the unpaid redeposit by the actuarial factor based on the individual's age at retirement, as shown in the following example.

Exhibit 231.31

**Present Value Factors**

<b>Age at Retirement</b>	<b>Factor</b>	<b>Age at Retirement</b>	<b>Factor</b>
40	277.6	66	157.9
41	274.7	67	153.1
42	272.1	68	148.0
43	269.1	69	142.8
44	265.0	70	138.0
45	260.0	71	133.1
46	255.1	72	128.0
47	250.8	73	123.1
48	245.9	74	118.4
49	240.3	75	113.5
50	234.8	76	108.2
51	230.2	77	103.2
52	225.9	78	98.2
53	221.4	79	93.1
54	216.8	80	88.4
55	211.9	81	83.6
56	207.2	82	78.4
57	202.3	83	73.7
58	197.6	84	69.5
59	193.1	85	65.8
60	188.7	86	62.0
61	183.7	87	57.9
62	178.3	88	54.0
63	173.2	89	50.7
64	168.2	90	47.2
65	163.0		

**Example:** Using this exhibit, it is established that for a retiree at age 60, with an unpaid redeposit of \$1,500 (\$800 CSRS contributions withdrawn + \$700 interest), the actuarial factor to determine the reduction to the annuity would be 188.7. Therefore:  $\$1,500 \div 188.7 = \$7.95$  reduction to annuity per month.

### 231.32 **Refunded Service Terminated On or After October 1, 1990**

Redeposit of funds to OPM is required for a period of refunded service if the separation from rolls for that period occurred on or after October 1, 1990. The full redeposit consists of the exact amount refunded plus interest (see Section 231.4, Deposits and Redeposits Subject to Interest).

## 231.4 Deposits and Redeposits Subject to Interest

### 231.41 General Information

Both deposits and redeposits are subject to interest compounded annually. You are charged interest for all periods of employment covering the deposit or redeposit and certain periods of separation. Periods of separation before October 1956 are not subject to interest. However, you are charged interest for all periods of separation that began on or after that date. The variable rate of interest is determined each year by the Secretary of the Treasury on the basis of the average yield of new investments purchased by the retirement fund during the previous calendar year. The variable rates of interest established for each calendar year since 1985 are shown in exhibit 231.41.

Exhibit 231.41

#### Variable Interest Rates

Year	Interest Rate	Year	Interest Rate
1985	13.000%	1995	7.000%
1986	11.125%	1996	6.875%
1987	9.000%	1997	6.875%
1988	8.375%	1998	6.750%
1989	9.125%	1999	5.750%
1990	8.750%	2000	5.875%
1991	8.625%	2001	6.375%
1992	8.125%	2002	5.500%
1993	7.125%	2003	5.000%
1994	6.250%	2004	3.875%

### 231.42 Interest on Deposits for Nondeduction Service

#### 231.421 Rates for Service Performed Before October 1, 1982

Interest on deposits for nondeduction service performed before October 1, 1982, is computed at a fixed rate of 3 percent, accrued daily and compounded annually.

#### 231.422 Rates for Service Performed On or After October 1, 1982

Interest on deposits for nondeduction service performed on or after October 1, 1982, is computed at the rate of 3 percent through 1984 and at a variable rate starting in 1985, accrued daily and compounded annually.

### 231.43 Interest on Redeposits for Refunded Service

#### 231.431 Rates for Redeposits for Service Before October 1, 1990

Interest on redeposits for service performed before October 1, 1990, is computed at the rate of 3 percent per year from the date of receipt of the refund to the date redeposit is completed, accrued daily and compounded annually.

**231.432 Rates for Redeposits for Service On or After October 1, 1990**

For those applications for refund that were received by either the Postal Service or OPM on or after October 1, 1982, interest is computed at the rate of 3 percent per year through December 31, 1984, accrued daily and compounded annually.

For refund received after December 31, 1984, a variable rate of interest is computed using the table in exhibit 231.41, compounded annually.

**231.5 Payment of Deposit or Redeposit****231.51 Application**

You must submit a request to make a deposit or redeposit to OPM through the Eagan Accounting Service Center (ASC) Retirement Branch on SF 2803, *Application to Make Deposit or Redeposit*. Your employing office assists you in completing this form. The request to make a deposit or redeposit need not delay filing an SF 2801, *Application for Immediate Retirement*. When you or your local personnel office submits your SF 2801 to the Eagan ASC, the SF 2803 may also be included. OPM notifies you of the exact amount due and will give you an opportunity to pay this amount, if you wish, before your annuity claim is finalized.

**231.52 Exceptions**

In those limited retirement cases when an alternative form of annuity (AFA) lump sum is elected (see Part 254, Alternative Form of Annuity), OPM does not collect deposit or redeposit money, which simply would be returned as part of a person's lump sum payment. Instead, OPM gives automatic credit for deposits or redeposits, including interest, thus assuring that the AFA is the maximum amount possible. These are deemed deposits or redeposits that are treated as having been paid and then returned to the person as part of the lump sum payment.

**231.53 For More Information**

**Note:** For more information on all items in Subchapter 23, Determining Service Credit, see OPM pamphlets RI 83-3, *Deposits and Redeposits Under the Civil Service Retirement System*, and RI 83-7, *Computing Retirement Benefits Under the Civil Service Retirement System*, available from your local personnel office. These pamphlets are also available on the Internet at [www.opm.gov/retire/html/library/csrs.asp](http://www.opm.gov/retire/html/library/csrs.asp).

**231.6 Voluntary Contributions****231.61 Application**

You may increase your future annuity by increasing your contributions to OPM during employment, prior to retirement, provided you are not subject to the restrictions covered in the following section. Each \$100 of voluntary contributions increases your annuity \$7 to \$10 a year, depending on your age at the time of retirement. Voluntary contributions earn a variable interest rate compounded annually (see Exhibit 231.41, Variable Interest Rates). Application is made by filing SF 2804, *Application to Make Voluntary*

*Contributions*, with OPM. This form may be obtained from your employing office. If you have made voluntary contributions and wish to withdraw them, you may do so at any time before you retire.

## 231.62 **Restrictions**

OPM will not approve an application for voluntary contributions from an employee who (1) owes a deposit or redeposit for civilian service or (2) has previously received a refund of voluntary contributions, unless the applicant was separated for more than 3 calendar days and was again employed under CSRS.

**Note:** For more information, see OPM pamphlet RI 83-10, *Voluntary Contributions Under the Civil Service Retirement System*, available from your local personnel office or on the Internet at [www.opm.gov/retire/html/library/csrs.asp](http://www.opm.gov/retire/html/library/csrs.asp).

## 232 **Military Service**

### 232.1 **Service Before January 1957**

All **honorable** active military service performed **before** January 1957 is included in the computation of the annuity unless you are receiving military retired pay. (See Section 232.5, Military Retired Pay, for exceptions in allowing credit for military retired pay.)

### 232.2 **Post-1956 Military Service**

Creditable post-1956 military service is a period of **honorable** active service performed **after December 1956** in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States. Creditable post-1956 military service also includes service performed after June 30, 1960, in the Regular or Reserve Corps of the Public Health Service or, after June 30, 1961, as a commissioned officer of the National Oceanic and Atmospheric Administration (formerly Coast and Geodetic Survey and the Environmental Science Service Administration). The rules for crediting post-1956 military service for retirement eligibility and for the annuity calculation vary depending on the date of your initial period of CSRS employment. These rules are explained in sections 232.3 through 232.7.

### 232.3 **Employed Before October 1, 1982**

If you were ever employed by the federal government or the Postal Service before October 1, 1982, in a position covered by the CSRS, the following provisions apply:

- a. You receive credit for all your creditable post-1956 military service in the computation of annuity provided you meet the eligibility requirements for an annuity. However, if at age 62 you are eligible for Social Security benefits, your annuity is recomputed, eliminating the years of post-1956 military service. If you currently receive military retired pay, you must waive your retired pay to receive credit for your military service unless you qualify for one of the exceptions cited in



Section 232.5, Military Retired Pay. Military retirees who waive their retired pay to receive credit for military service also have their annuity recomputed upon reaching Social Security eligibility. The recomputation (reduction) of annuity occurs only at age 62, if you are entitled to Social Security at age 62, which explains why it is commonly referred to as “catch 62.”

- b. If you do not wish to have your annuity recomputed at age 62 to eliminate post-1956 military service, you must make a deposit to the CSRS Fund for the post-1956 military service (see Section 232.7, Deposit for Military Service).
- c. You should be aware that the recomputation of annuity at age 62 occurs only if you are eligible for Social Security benefits at age 62. If you do not become eligible for Social Security benefits until after age 62 (i.e., age 63 or later) then the CSRS annuity will not be recomputed and full credit will continue for post-1956 military service in annuity, even though a deposit has not been made.

#### 232.4 **Employed On or After October 1, 1982**

If you were first employed by the federal government or the Postal Service on or after October 1, 1982, in a position covered by the CSRS, the following provisions apply:

- a. You do not receive credit for your post-1956 military service unless you make a deposit to the CSRS Fund for the military service (see Section 232.7, Deposit for Military Service).
- b. If you are receiving military retired pay, you must make the deposit and also waive your retired pay before the commencement date of your annuity to receive credit for your military service (see Sections 232.5, Military Retired Pay, and 232.6, Waiver of Military Retired Pay).

#### 232.5 **Military Retired Pay**

Military service is not creditable if you receive military retired pay unless one of the following provisions is true:

- a. Your military retired pay was awarded because of a service-connected disability either incurred in combat with an enemy of the United States or caused by an instrumentality of war and incurred in the line of duty during a period of war.
- b. Your military retired pay was awarded under the reserve retiree provisions under Chapter 1223, Title 10, United States Code (U.S.C.).
- c. You waive your military retired pay.

#### 232.6 **Waiver of Military Retired Pay**

If you wish to waive your military retired pay, you must request such a waiver in writing. Submit a letter to your Military Finance Center at least 60 days before your retirement date. A copy of your letter, or the letter of acknowledgement from the Military Finance Center, should be attached to your SF 2801. If a waiver does not accompany the SF 2801, your annuity is

delayed. The effective date for discontinuance of your military retired pay should be the day before the commencement date of your annuity (see Subchapter 26, Annuity Commencement Date).

### 232.7 **Deposit for Military Service**

If you wish to make a deposit for your post-1956 military service, you must complete SF 2803, and provide a copy of Form DD 214, *Certificate of Release or Discharge From Active Duty*, or equivalent record to verify your service and provide documentation of military basic pay. The deposit is 7 percent of your military basic pay for the period of military service claimed. Contact your employing office for instructions on how to process your request. Deposits for military service must be completed before separation or retirement or included with the retirement application.

**Note:** For more information, see OPM pamphlet RI 83-2, *Military Service Credit Under the Civil Service Retirement System*, available from your personnel office or on the Internet at [www.opm.gov/retire/html/library/csrs.asp](http://www.opm.gov/retire/html/library/csrs.asp).

### 233 **Annuity Limitation of 80 Percent**

The maximum possible amount of annuity is 80 percent of high-3 average salary. The 80-percent maximum is attained by a combined total of years of service (civilian and military) of 41 years and 11 months (see 251.12, High-3 Average Pay, for an explanation of a high-3 average salary). Retirement deductions withheld after 41 years and 11 months of service are applied toward payment of deposits or redeposits, with any balance automatically refunded to the employee at the time of retirement. Excess contributions may be used as voluntary contributions to increase annuity or be returned to the employee as a refund.

Unused sick leave may be creditable to provide additional annuity above 80 percent. Voluntary contributions made to your CSRS fund may also provide additional annuity.

### 234 **CSRS Offset**

If you are covered by both CSRS and Social Security, you are covered by the CSRS Offset. This means that your CSRS annuity is **offset** by your Social Security benefits. The annuity shown on your estimate is reduced (offset) when you become eligible for Social Security. The amount of the offset is the amount of the Social Security benefits attributable only to service after 1983 covered by both CSRS and Social Security.

## 24 Salary History

---

Your annuity estimate under the *Salary History* heading reflects the last 3 years of salary history to calculate your high-3 average salary (see Section 251.1, Primary Factors Affecting the Annuity Amount). An annuity estimate for an employee who worked part-time **after April 6, 1986**, indicates total earnings for the position, and special attention should be paid to disclaimers noted in Exhibit 21, Annuity Estimate Example (see also Part 253, Computation for Part-Time Service).

## 25 Annuity Calculation

---

### 251 Factors Affecting the Annuity

#### 251.1 Primary Factors Affecting the Annuity Amount

##### 251.11 Length of Service

This includes credit for unused sick leave, but **may not** include credit for nondeduction or refunded service (see Subchapter 23, Determining Service Credit).

##### 251.12 High-3 Average Pay

Your high-3 average salary is the highest salary figure obtained by averaging your rate of **basic** salary during any 3 consecutive years of service, with each rate weighted by the time it was in effect. Basic pay for retirement purposes includes higher-level pay but does not include overtime, night differential, and military pay. The 3 years used in the average salary computation do not need to be continuous, but they must consist of consecutive periods of service. In most cases, the assumption that the last 3 years are the high-3 years is correct. If, however, you had an earlier period of higher earnings, OPM will compute your annuity based on the earlier period, even if that period of service was with another federal agency.

#### 251.2 Other Considerations Affecting the Annuity Amount

##### 251.21 Reductions

The annuity is reduced if any of the following factors are relevant at time of retirement: (1) retirement begins before age 55 (for example, discontinued service annuity or a reduction in force), (2) deposits and redeposits have not been made (see Subchapter 23, Determining Service Credit), or (3) an election of an annuity for a surviving spouse, a former spouse, or a person with an insurable interest is made (see Chapter 3, Survivor Benefits).

##### 251.22 Proration for Part-Time Service

For an employee who worked part-time, see Part 253, Computation for Part-Time Service.

### 251.23 Additional Annuity

An annuity may be increased by making voluntary contributions to the CSRS Fund (see Section 231.6, Voluntary Contributions).

## 252 Determining the Amount of the Annuity

### 252.1 General Formula

Once a high-3 average has been determined, the annual basic annuity is obtained by applying the following general formula:

Step 1 — Take 1.5 percent of the high-3 average pay and multiply the result by 5, for the first 5 years of service.

Step 2 — Take 1.75 percent of the same high-3 average pay and multiply the result by 5, for the second 5 years of service.

Step 3 — Take 2 percent of the same high-3 average pay and multiply by the number of years of service beyond the first 10.

The total of the products of Steps 1, 2, and 3 equals the annual basic annuity. The annual basic annuity divided by 12 equals the monthly basic annuity.

**Example:** Here is an example of how the general formula is applied to an employee with 30 years of service and a high-3 average pay of \$30,000:

#### General Formula Method

Step 1:	Take 1.5 percent of the high-3 average salary (\$30,000) multiplied by years of service up to 5 (5 years).	$0.015 \times \$30,000 \times 5$	=	\$2,250.00
Step 2:	Add 1.75 percent of the same high-3 average salary (\$30,000) multiplied by the years of service between 5 and 10 (5 years).	$0.0175 \times \$30,000 \times 5$	=	+ \$2,625.00
Step 3:	Add 2 percent of the same high-3 average salary (\$30,000) multiplied by the years of service over 10 (20 years).	$0.02 \times \$30,000 \times 20$	=	+ <u>\$12,000.00</u>
	The total is the annual basic annuity.			\$16,875.00
	The annual basic annuity divided by 12 is the monthly basic annuity.	$\$16,875 \div 12$	=	\$1,406.25

### 252.2 Service Factor Method

An easier way to compute the basic annuity is to use the factor identified for the years and months of service as shown in Exhibit 252.2, Chart for Computing Annuity, instead of the step-by-step method of the general formula.

To obtain the annual basic annuity, multiply the high-3 average pay by the appropriate factor from the chart and then divide the annual basic annuity by 12 to find the monthly basic annuity.

**Example:** Here is an example of how the service factor method is applied to an employee with 30 years 8 months of service and a high-3 average pay of \$30,000:

### Service Factor Method

- Step 1: Multiply the high-3 average salary (\$30,000) by the service factor for 30 years 8 months (0.575833) to find the annual basic annuity.  $\$30,000 \times 0.575833 = \$17,274.99$
- Step 2: Divide the annual basic annuity by 12 to find the monthly basic annuity.  $\$17,274.99 \div 12 = \$1,439.58$

Exhibit 252.2

### Chart for Computing Annuity

Instructions:

1. Find row showing full years of service at far left of table.
2. Moving across top of table, find column heading showing full months of service.
3. Where row and column intersect, find the factor for computing your annuity.

Computing Basic Annuity Where High-3 Average Pay is \$5,000 or More

Years of Service	0 mo.	1 mo.	2 mo.	3 mo.	4 mo.	5 mo.	6 mo.	7 mo.	8 mo.	9 mo.	10 mo.	11 mo.
5	.075000	.076458	.077917	.079375	.080833	.082292	.083750	.085208	.086667	.088125	.089583	.091042
6	.092500	.093958	.095417	.096875	.098333	.099792	.101250	.102708	.104167	.105625	.107083	.108542
7	.110000	.111458	.112917	.114375	.115833	.117292	.118750	.120208	.121667	.123125	.124583	.126042
8	.127500	.128958	.130417	.131875	.133333	.134792	.136250	.137708	.139167	.140625	.142083	.143542
9	.145000	.146458	.147917	.149375	.150833	.152292	.153750	.155208	.156667	.158125	.159583	.161042
10	.162500	.164167	.165833	.167500	.169167	.170833	.172500	.174167	.175833	.177500	.179167	.180833
11	.182500	.184167	.185833	.187500	.189167	.190833	.192500	.194167	.195833	.197500	.199167	.200833
12	.202500	.204167	.205833	.207500	.209167	.210833	.212500	.214167	.215833	.217500	.219167	.220833
13	.222500	.224167	.225833	.227500	.229167	.230833	.232500	.234167	.235833	.237500	.239167	.240833
14	.242500	.244167	.245833	.247500	.249167	.250833	.252500	.254167	.255833	.257500	.259167	.260833
15	.262500	.264167	.265833	.267500	.269167	.270833	.272500	.274167	.275833	.277500	.279167	.280833
16	.282500	.284167	.285833	.287500	.289167	.290833	.292500	.294167	.295833	.297500	.299167	.300833
17	.302500	.304167	.305833	.307500	.309167	.310833	.312500	.314167	.315833	.317500	.319167	.320833
18	.322500	.324167	.325833	.327500	.329167	.330833	.332500	.334167	.335833	.337500	.339167	.340833
19	.342500	.344167	.345833	.347500	.349167	.350833	.352500	.354167	.355833	.357500	.359167	.360833
20	.362500	.364167	.365833	.367500	.369167	.370833	.372500	.374167	.375833	.377500	.379167	.380833
21	.382500	.384167	.385833	.387500	.389167	.390833	.392500	.394167	.395833	.397500	.399167	.400833
22	.402500	.404167	.405833	.407500	.409167	.410833	.412500	.414167	.415833	.417500	.419167	.420833
23	.422500	.424167	.425833	.427500	.429167	.430833	.432500	.434167	.435833	.437500	.439167	.440833
24	.442500	.444167	.445833	.447500	.449167	.450833	.452500	.454167	.455833	.457500	.459167	.460833
25	.462500	.464167	.465833	.467500	.469167	.470833	.472500	.474167	.475833	.477500	.479167	.480833
26	.482500	.484167	.485833	.487500	.489167	.490833	.492500	.494167	.495833	.497500	.499167	.500833
27	.502500	.504167	.505833	.507500	.509167	.510833	.512500	.514167	.515833	.517500	.519167	.520833
28	.522500	.524167	.525833	.527500	.529167	.530833	.532500	.534167	.535833	.537500	.539167	.540833
29	.542500	.544167	.545833	.547500	.549167	.550833	.552500	.554167	.555833	.557500	.559167	.559167
30	.562500	.564167	.565833	.567500	.569167	.570833	.572500	.574167	.575833	.577500	.579167	.580833
31	.582500	.584167	.585833	.587500	.589167	.590833	.592500	.594167	.595833	.597500	.599167	.600833
32	.602500	.604167	.605833	.607500	.609167	.610833	.612500	.614167	.615833	.617500	.619167	.620833
33	.622500	.624167	.625833	.627500	.629167	.630833	.632500	.634167	.635833	.637500	.639167	.640833
34	.642500	.644167	.645833	.647500	.649167	.650833	.652500	.654167	.655833	.657500	.659167	.660833
35	.662500	.664167	.665833	.667500	.669167	.670833	.672500	.674167	.675833	.677500	.679167	.680833
36	.682500	.684167	.685833	.687500	.689167	.690833	.692500	.694167	.695833	.697500	.699167	.700833
37	.702500	.704167	.705833	.707500	.709167	.710833	.712500	.714167	.715833	.717500	.719167	.720833
38	.722500	.724167	.725833	.727500	.729167	.730833	.732500	.734167	.735833	.737500	.739167	.740833
39	.742500	.744167	.745833	.747500	.749167	.750833	.752500	.754167	.755833	.757500	.759167	.760833
40	.762500	.764167	.765833	.767500	.769167	.770833	.772500	.774167	.775833	.777500	.779167	.780833
41	.782500	.784167	.785833	.787500	.789167	.790833	.792500	.794167	.795833	.797500	.799167	.80 *

\*Annuity in excess of 80 percent that is produced by credit for unused sick leave is payable.

## 253 Computation for Part-Time Service

### 253.1 Service Performed Before April 7, 1986

Part-time service performed **before April 7, 1986**, is treated as full-time service for annuity computation.

### 253.2 Service Performed On or After April 7, 1986

Part-time service performed **on or after April 7, 1986**, is subject to a different annuity formula. This formula reduces an individual's annuity for such service by a fraction called the *proration factor*. The proration factor is generally the number of hours a part-time employee works divided by the number of hours an employee would have worked if he or she had been a full-time employee over the same period of time. Your personnel office will assist you in obtaining a retirement estimate that reflects the proration factor applicable to the part-time service.

### 253.3 Pre- and Post-April 6, 1986, Service

If you have service **both before and after April 7, 1986**, two separate calculations are made for each period of service. The proration factor method is applied only to the portion of the annuity that represents part-time service performed on or after April 7, 1986.

## 254 Alternative Form of Annuity

### 254.1 Eligibility and Payment

In place of the basic annuity calculated above, **certain** employees may elect an alternative form of annuity (AFA). In general, the AFA is limited to employees with a life threatening affliction who separate under either a voluntary (optional) retirement or an involuntary discontinued service annuity. The AFA allows the retiree to receive a lump sum payment equal to the total contributions made by the employee to the retirement plan, plus any interest accrued before 1957, and to receive a **reduced** monthly annuity. Individuals eligible for AFA are provided an estimated alternative annuity on their annuity estimate printout under *Lump Sum*.

### 254.2 Computation of the AFA

To determine the reduction to monthly annuity, full annuity must first be calculated as stated in parts 252 and 253. This amount is then reduced by an amount equal to the lump sum payment divided by a present value factor for the employee's age at the time of retirement. The value factors (also referred to as actuarial factors) are the same as those used to determine reductions for redeposits not paid to OPM (see Exhibit 231.31, Present Value Factors).

**Example:** The following is a calculation for an employee, age 62 at the time of retirement, with a total lump sum payment due of \$20,000 and a beginning rate of annuity of \$1,000 per month. If the employee elects the AFA, that annuity is \$887 per month instead of \$1,000 per month. The calculation is as follows:

$$\begin{aligned} \$20,000 \div 178.3 \text{ (value factor for age 62)} &= \$113 \text{ (rounded up)} \\ \$1,000 - \$113 &= \$887 \end{aligned}$$

## 26 Annuity Commencement Date

Under the current retirement law, if you voluntarily retire on day 1, 2, or 3 of the month, your annuity begins on the day after separation. If you retire voluntarily on any other day of the month, your annuity begins on the first day of the month after separation. In either case, if the employee's last day in pay status was prior to the effective date elected on the retirement application and retirement eligibility had been met as of that day, OPM will begin annuity the day following the last day of pay status. These provisions on the commencement date do not apply to disability retirement or retirement based on an involuntary separation.

The following are examples for two employees retiring with the last day in pay status (LDIPS) earlier than the effective date indicated on their SF 2801:

### Example 1:

- An employee electing retirement effective 02/01/2005 (date on SF 2801) has been on LWOP since 11/10/2004 (LDIPS = 11/09/2004).
- The employee meets retirement criteria effective 09/30/2004 (55 years of age + 32 years of service).
- The annuity is effective 12/01/2004, not 02/01/2005.
- The employee is eligible 09/30/2004; the LDIPS is 11/09/2004. Per current retirement law, as the LDIPS is **not before the third** of the month, the annuity begins the **first of the following month**, 12/01/2004.

### Example 2:

- An employee electing retirement effective 02/01/2005 (date on SF 2801) has been on LWOP since 11/02/2004 (LDIPS = 11/09/2004).
- The employee meets retirement criteria effective 09/30/2004 (55 yrs of age + 32 years of service).
- The annuity is effective 11/02/2004, not 02/01/2005.
- The employee is eligible 09/30/2004; the LDIPS is 11/01/2004. Per current retirement law, as the LDIPS is **before the third** of the month, the annuity begins the **day after the LDIPS**, or 11/02/2004.

## 27 Rounding Down of Civil Service Annuities

Annuities beginning or redetermined on or after October 1, 1982, are rounded down to the next lower dollar rather than next higher. The rounding-down provision applies when annuities are initially computed and redetermined and also when they are later adjusted by cost-of-living increases.

## 28 Cost-of-Living Adjustment

After retirement, you are entitled to an annual cost-of-living adjustment (COLA) increase, which is based on increases in the Consumer Price Index (CPI). Under current retirement law, COLA increases are effective December 1 of each year and are reflected in your annuity the following January. Your first COLA increase as a retiree, however, is prorated. You receive 1/12 of the applicable increase for every month (or partial month) you have been in a retired status.

## 29 Other Annuity Information

### 291 **Retirement Deductions**

The amount of retirement deductions shown on your annuity estimate does not include (1) refunds, redeposits, or deposits; (2) deductions made by another federal agency or, in some cases, by another Postal Service data center; (3) any deductions transferred to OPM due to prior separations; or (4) voluntary contributions. However, any military deposits paid during your current career appointment are included.

### 292 **Annual Leave Balance — Terminal Leave Payment**

It is to your advantage to retire with an annual leave balance since the payment for terminal leave provides you with funds while you wait for your first annuity check. Note that:

- a. If you are a bargaining unit employee separating other than under the Voluntary Early Retirement Authority (VERA), you may receive a lump sum payment for accumulated annual leave carried over from the previous year; accrued annual leave for the year in which you separate, up to the carryover maximum for your bargaining unit; any unused donated leave; and, if you are a full-time or part-time regular employee, holidays that fall within your terminal leave period.
- b. Any part of your unused annual leave earned during the leave year of your separation that is in excess of the maximum carryover amount is granted to you prior to separation rather than paid out in the form of a lump sum payment. Any of the unused annual leave that you cannot take within the leave year is forfeited.



- c. If you are a nonbargaining unit employee or a bargaining unit employee separating under VERA, you may receive a lump sum leave payment for accumulated annual leave carried over from the previous year; accrued annual leave for the year in which you separate, including amounts over the carryover maximum; any unused donated leave; and, if you are a full-time or part-time regular employee, holidays that fall within your terminal leave period.

## 293 **Deductions from Annuity**

The deductions made from your annuity for health benefits, life insurance, etc., may appear excessive. The deductions are larger than when you were an employee because they are made on a monthly basis instead of biweekly.

**Note:** See Chapter 4 for more information on life insurance, health benefits, the Thrift Savings Plan, and Social Security Administration and Medicare benefits.

This page intentionally left blank

# 3 Survivor Benefits

## 31 Survivor Benefits Elections

---

### 311 Election for Current Spouse

Your annuity estimate provides calculations with and without survivor benefits for your spouse. Note that the estimated survivor benefit assumes you will provide the maximum provision; however, you may elect less than the full survivor annuity (see Subchapter 32, Designating a Base). Under certain circumstances, survivor benefit elections made for your spouse at the time of your retirement may be changed after you retire (see Subchapter 34, Annuity Election Changes After Retirement). The cost for electing a survivor benefit is withheld from your annuity (see Subchapter 33, Determining the Cost).

### 312 Spouse's Written Consent to Reduce Annuity

The law requires that if you are married and elect less than the maximum survivor annuity for your spouse, you must have your spouse's written consent. You are required to complete Part I of SF 2801-2, *Spouse's Consent to Survivor Election*, stating that you elect either **no survivor annuity** for your spouse or **less than the maximum survivor annuity**. Part 2 of SF 2801-2 is completed by your current spouse and must be notarized. The statement indicates that your spouse is aware of the election made by you and consents to the election. This consent is required even if there is a qualifying court order awarding the survivor annuity to a former spouse.

**Note:** In order for your surviving spouse (and or other family members) to be entitled to continue enrollment in a health benefit plan following your death, a survivor annuity (even if you elect less than the maximum) must be established. Health benefit premiums for survivors are withheld from survivor annuities. If an annuity would be insufficient, OPM establishes an alternative direct-pay method to collect premiums.

## 313 Survivor Annuity for Former Spouse

### 313.1 Court-Ordered Provision

Retirements effective on or after May 7, 1985, may be affected by a qualifying court order or divorce decree requiring the retiree to provide a survivor annuity to a former spouse. In those cases annuity is automatically reduced to provide the benefit to your former spouse.

OPM provides a handbook with complete information and instructions regarding court orders. This handbook, RI 83-116, *Handbook for Attorneys*, can be found on the Internet at [www.opm.gov/retire/html/library/other.asp](http://www.opm.gov/retire/html/library/other.asp). As noted in the handbook, all court orders must be forwarded to OPM to be kept on file for future retirement benefits.

### 313.2 Voluntary Provision

If no court order or decree exists, you may still voluntarily elect to provide a survivor annuity for a former spouse. If you are currently married, your current spouse must consent to the voluntary election.

### 313.3 Effect on Current Spouse Survivor Annuity

The total of survivor benefits cannot exceed 55 percent of your annuity (see Subchapter 32, Designating a Base). Therefore, a current spouse will only receive an amount equal to the difference between the amount awarded to a former spouse and 55 percent of your annuity. If a former spouse is awarded the maximum survivor benefit, the current spouse would be ineligible for benefits.

## 32 Designating a Base

---

If you elect a survivor annuity for your spouse, you may designate any portion or all (maximum provision) of your annuity as a base for figuring the amount of the survivor annuity. Upon your death, your spouse receives 55 percent of the amount you chose as a base, plus cost-of-living increases (unless a qualifying court order has awarded a full survivor annuity to a former spouse (see Part 313, Survivor Annuity for Former Spouse)).

### **Example:**

If your annual annuity is \$19,000 and you designate \$8,000 of your annuity as a base, upon your death your spouse receives a yearly survivor annuity of 55 percent of \$8,000 (i.e., \$4,400), plus cost-of-living increases. If you designate the entire annuity as a base, your spouse will receive 55 percent of \$19,000 (i.e., \$10,450), plus cost-of-living increases.

## 33 Determining the Cost

---

If you elect a survivor annuity for your spouse, your annuity is reduced by 2 1/2 percent of the first \$3,600 chosen as a base, plus 10 percent of any amount over \$3,600.

**Example:**

If you choose \$8,000 as a base, your annuity will be reduced as follows:

First	\$ 3,600 of base	x 2.5%	= \$ 90
Remaining	<u>\$ 4,400</u> of base	x 10%	= <u>\$ 440</u>
	\$ 8,000 base		= \$ 530 reduction per year

## 34 Annuity Election Changes After Retirement

---

### 341 Election for Current Spouse

If you elect at retirement to provide less than a maximum survivor annuity for a current spouse, you may later change that election to provide an increase to the survivor benefit. (You may not elect to provide a lesser survivor benefit for your spouse.) The request for an increase must be filed with OPM no later than 18 months after the commencement date of your annuity. You are required to pay a deposit (plus interest) representing the difference between the reduction in your annuity for the new survivor election and the original survivor election, plus a charge of \$245 for each thousand-dollar change in the designated survivor's base.

### 342 Changes in Marital Status

If you elect a survivor benefit and your spouse dies or the marriage is otherwise dissolved, you should immediately notify OPM so that your annuity can be recomputed to eliminate the reduction for the survivor benefit.

### 343 Marriage After Retirement

If you are not married and you decide to marry after you retire, you may elect a survivor benefit by notifying OPM. However, your spouse is not eligible for survivor benefits unless you have been married for at least 9 months or, if married less than 9 months, there is a child born of that marriage. You are required to make a deposit equal to the total amount by which your annuity would have been reduced if that election had been made at the time of retirement, plus 6 percent interest compounded annually.

## 35 Insurable Interest Election

---

### 351 Eligibility

In addition to the provisions made for survivor annuity for former and current spouses as described in subchapter 31, you may make provisions for survivor benefits for a person with an insurable interest in your life, i.e., a person who expects to benefit financially from your continued life. You must demonstrate good health to be eligible for this benefit.

### 352 Determining the Cost

The reduction in your annuity may be from 10 to 40 percent depending on the age difference between you and the person named. In order to determine what the reduction is, consult the following table:

**Insurable Interest Reductions**

<b>Age of Person Named in Relation to That of Retiring Employee</b>	<b>Reduction in Annuity</b>
Older, same age, or less than 5 years younger	10%
5 but less than 10 years younger	15%
10 but less than 15 years younger	20%
15 but less than 20 years younger	25%
20 but less than 25 years younger	30%
25 but less than 30 years younger	35%
30 or more years younger	40%

### 353 Election for Current Spouse

If you are married and a survivor annuity has been awarded by court order (effective after May 6, 1985) to a former spouse, you may elect an insurable interest survivor annuity for your current spouse. The combined reduction for both elections may exceed the maximum 40 percent reduction in the annuity normally applicable to insurable interest annuities.

## 36 Surviving Children

---

At the time of an employee's or retiree's death, monthly annuity and continuation of health benefits are automatically established for surviving children who are (1) unmarried and under age 18, or (2) unmarried and under age 22 if a full-time student, or (3) unmarried and incapable of self-support (regardless of age, provided the disability was established before age 18). There are no reductions to your annuity for these benefits.

**Note:** For more information, see OPM pamphlet RI 83-5, *Survivor Benefits Under the Civil Service Retirement System*, available from your personnel office or on the Internet at [www.opm.gov/retire/html/library/csrs.asp](http://www.opm.gov/retire/html/library/csrs.asp).

# 4 Insurance and Other Benefits

## 41 Federal Employees' Group Life Insurance

---

### 411 Description of Coverage

The life insurance information on the annuity estimate shows the types of insurance in which you are enrolled under Federal Employees' Group Life Insurance (FEGLI), its current cost to you and to the Postal Service, and the monthly deductions that will be made if you continue enrollment into retirement (see Exhibit 21, Annuity Estimate Example).

### 412 Requirements for Continuation

In order to carry life insurance into retirement, you must have been enrolled for 5 years immediately preceding the effective date of your annuity, or, if enrolled less than 5 years, from the date of your first opportunity to enroll. These provisions apply to both Basic Life Insurance and any optional insurance (Option A — Standard, Option B — Additional, or Option C — Family) you may have. Accidental Death and Dismemberment Insurance **does not** continue into retirement. The value of the coverage for basic and each type of optional insurance is set forth in Exhibit 412, Premiums and Reductions to Value.

To continue your Basic Life Insurance you must complete SF 2818, *Continuation of Life Insurance Coverage As an Annuitant or Compensation* (FEGLI), at the time of retirement. Your decision will determine the level of coverage you take into retirement and the cost of that coverage. Continuation of any of the optional insurance is not possible unless an election is made to continue Basic Life Insurance.

### 413 Reduction in Basic Life Insurance Coverage After Retirement

Your Basic Life Insurance may be retained at full value (no reduction), or gradually reduced by 50 or 75 percent of value over a fixed period, depending upon the election you make at retirement. If you choose the 50-percent reduction, your coverage reduces at the rate of 1 percent of value per month starting the month after you reach age 65. If you choose the 75-percent reduction, your insurance reduces at the rate of 2 percent of value

per month, starting the month after you reach age 65. Premiums vary for each of the three Basic Life Insurance elections (see Exhibit 412, Premiums and Reductions to Value).

#### 414 **Reduction in Optional Insurance Coverage After Retirement**

If you are enrolled in any of the optional insurance benefits as an employee for the 5 years immediately preceding retirement (or for all of your service during which it was available to you, if less than 5 years), at time of retirement you may elect to continue the coverage. You may choose the Option B and Option C multiples you wish to continue into retirement and whether to have those multiples reduced.

Exception: If you have assigned your insurance, you may not reduce the number of multiples of Option B coverage.

If you elect **no reduction**, your coverage will not reduce and premiums will be withheld from your annuity for the rest of your life, or until you cancel or reduce the insurance.

If you elect **full reduction** at age 65, the month after you reach age 65 your optional insurance will begin reducing in value by 2 percent each month. Option A will reduce to \$2,500. Option B and Option C will reduce until the insurance value reaches zero, with no extension of coverage or right of conversion.

As an annuitant, if you previously elected **no reduction** of your optional insurance, you may change to **full reduction** at any time. If you are over age 65, the amount of insurance in force will be computed as if you had elected **full reduction** originally. There will be no refund of premiums.

If you previously elected **full reduction**, you may change to **no reduction** at any time until the second month following your 65th birthday. Once you receive an annuity check that shows no premiums withheld for **full reduction**, you cannot change your election from **full reduction** to **no reduction**.

Premiums for the optional insurance are age-based and, in the case of Options B and C insurance, depend on the multiples of coverage elected (see Exhibit 412, Premiums and Reductions to Value).

In January 2003 new age bands at age 65 and above were created for Option B; previously everyone age 65 and older paid the same rate. OPM added these new age bands due to a 1998 law allowing older enrollees to keep their optional coverage without suffering the prior automatic reduction after age 65, and the new rates reflect higher claim rates now being experienced by FEGLI. The new age bands and premiums included in Exhibit 412, Premiums and Reductions to Value, are currently effective for the years 2004 and 2005. After that time, contact your local personnel office for current premium rates.



## Exhibit 412

**Premiums and Reductions to Value**

<b>Insurance Value</b>	<b>Value Reduction Rate and Eventual Value</b>	<b>Monthly Deductions From Annuity Before You Reach Age 65</b>	<b>Monthly Deductions From Annuity After You Reach Age 65</b>
Basic Life (basic salary increased by \$2,000, rounded up to next \$1,000)	No reduction; 100% preretirement value continues for life.	\$2.155 per \$1,000	\$1.83 per \$1,000
	For 50% total reduction: 100% preretirement value until age 65. Beginning at 65 (or date of retirement if 65 or older at retirement), 1% per month reduction until 50% preretirement value reached.	\$0.9258 per \$1,000	\$0.60 per \$1,000
	For 75% total reduction: 100% preretirement value until age 65. Beginning at 65 (or date of retirement if 65 or older at retirement), 2% per month reduction until 25% preretirement value reached.	\$0.325 per \$1,000	No further deductions
Option A — Standard (\$10,000)	100% preretirement value until age 65. Beginning at 65 (or date of retirement if 65 or older at retirement), 2% per month reduction until 25% preretirement value reached (\$2,500).	Depends on age; For \$10,000: 50–54 \$3.03 55–59 \$5.85 60–64 \$13.00	No further deductions
Option B — Additional (1–5 multiples of salary, as elected)	No reduction; 100% preretirement value continues for life.	Depends on age; Per \$1,000, per multiple: 50–54 \$0.303 55–59 \$0.607 60–64 \$1.30	Depends on age; Per \$1,000, per multiple: <b>Effective 2004</b> 65–69 \$1.538 70–74 \$2.232 75–79 \$3.098 80+ \$3.965 <b>Effective 2005</b> 65–69 \$1.56 70–74 \$2.60 75–79 \$3.90 80+ \$5.20
	Full reduction; 100% preretirement value until age 65. Beginning at 65 (or date of retirement if 65 or older at retirement), 2% per month reduction for 50 months; then coverage ends.	Depends on age; Per \$1,000, per multiple: 50–54 \$0.303 55–59 \$0.607 60–64 \$1.30	No further deductions
Option C — Family (1–5 multiples of \$5,000 for spouse and \$2,500 for each eligible dependent child)	No reduction; 100% preretirement value continues for life.	Depends on age; Per multiple: 50–54 \$1.95 55–59 \$3.14 60–64 \$5.63	Depends on age; Per multiple: 65–69 \$6.50 70–74 \$7.37 70–79 \$9.75 80+ \$13.00
	Full reduction; 100% preretirement value until age 65. Beginning at 65 (or date of retirement if 65 or older at retirement), 2% per month reduction for 50 months; then coverage ends.	Depends on age; 50–54 \$1.95 55–59 \$3.14 60–64 \$5.63	No further deductions

## 415 **Certification of Insurance Status and Conversion**

Your local personnel office completes SF 2821, *Agency Certification of Insurance Status*, at the time of your retirement, and forwards it to OPM with your retirement application. If you wish to convert your individual policy (because you were not enrolled for 5 years immediately preceding retirement or from your first opportunity to enroll or for any other reason), the procedures are clearly explained on this form.

## 416 **For More Information**

Complete details on the kinds of insurance, types of coverage, and premiums are available in OPM booklet RI 76-20, *FEGLI Program Booklet for Postal Service Employees*, which is available from your local personnel office.

# 42 **Federal Employees Health Benefit Program**

---

## 421 **Description**

The health insurance information on the annuity estimate shows both the amount presently being deducted from your pay check each pay period for your present health benefits plan under the Federal Employees Health Benefits (FEHB) Program and the amount that will be deducted **monthly** in retirement for that same plan (see Exhibit 21, Annuity Estimate Example).

## 422 **Requirements for Continuation**

You may continue your health benefits into retirement if you have been enrolled in the FEHB Program for the 5 years immediately preceding retirement or, if enrolled less than 5 years, from the date of your first opportunity to enroll. Military health coverage (Civilian Health and Medical Program of the Uniformed Services — TriCare and CHAMPUS) and enrollment as a family member under another employee's FEHBP enrollment count toward the 5-year requirement. If you elect to continue health benefits into retirement under FEHB, you are not allowed to change plans or options until the next FEHB Open Season or unless you have a qualified life status change. A change to the Self Only option is allowed.

Annuitants who at the time of their retirement do not meet the criteria to continue enrollment into retirement may qualify to enroll under the Temporary Continuation of Coverage (TCC) Program. This program provides health benefits enrollment opportunities to allow continuation of benefits beyond the 31-day extension period that follows termination. Under TCC, election is allowed in any plan or option available for which the individual meets the enrollment criteria. For additional information, contact your local personnel office.

#### 423 **Employee Organization Plan**

If you are enrolled in an employee organization health plan, you may be required to maintain membership in the employee organization. Check with the plan. If this is required, make arrangements to pay your membership fees individually to the organization or as an automatic allotment from your annuity.

#### 424 **Benefits**

Annuitants are entitled to the same benefits as active employees enrolled in the same plan, including FEHB Open Season changes and other opportunities to change enrollment. Your survivors may also continue health benefits if they are covered under your enrollment as a retiree and a survivor annuity has been established.

#### 425 **Cost of Coverage**

The Postal Service contributes a larger share of its employees' health benefit costs than other government agencies. During retirement, the Postal Service's contribution for annuitants reverts to the government's rate of contribution and, therefore, your share of the cost of your health insurance premium may increase. The cost of your health insurance premium may change from year to year, just as it did when you were an employee.

Furthermore, your employee health benefit premiums are paid every other week (26 times per year), while your annuitant health benefit premiums will be paid monthly (12 times per year). Making fewer payments means making bigger payments. For most Postal Service employees, health benefit premiums are paid on a pre-tax basis, with tax savings reducing the net cost of the premium. However, the pre-tax premium program is not available for annuitants, so there are no tax savings from the net cost of the premium.

#### 426 **Medicare**

Medicare eligibility qualifies as an opportunity for employees and annuitants to change health benefit plans or options. You are entitled to a **one-time** opportunity to use Medicare eligibility as a reason to change. The eligibility period begins the 30th day before you become eligible for Medicare (usually age 65) and has no ending date. This option offers you an opportunity to elect a plan or option with lesser benefits and a lower health benefit premium, but still also take advantage of the Medicare benefits.

## 43 **Long Term Care**

---

Every federal employee's retirement planning should include consideration of long term care insurance as a means to protect retirement assets against the potentially high cost of long term care. The federal government now sponsors an excellent long term care insurance program for the federal family. You are encouraged to compare the Federal Long Term Care Insurance Plan

(FLTCIP) with other long term care insurance plans so that you can make decisions that meet your individual needs.

Your local personnel office will be glad to assist you in obtaining FLTCIP information, or you can find further information on the OPM Web site, [www.opm.gov/insure/ltc](http://www.opm.gov/insure/ltc).

## 44 Thrift Savings Plan

---

### 441 Statement of Earnings

If you participated in the Thrift Savings Plan (TSP), your contributions and investment earnings are reported quarterly by the Federal Retirement Thrift Investment Board whether you are a current employee or annuitant.

### 442 Withdrawing and Distributing Accounts

Depending on your eligibility for basic retirement benefits, you have four distribution options available for your TSP account:

- a. Transfer your account balance to an IRA or other eligible retirement plan.
- b. Receive a lump sum payment.
- c. Receive your account balance in equal monthly payments.
- d. Receive a life annuity.

At the time of your retirement or upon request at any time, your local personnel office will provide you with the Thrift Investment Board's publication TSP BK02, *Withdrawing Your TSP Account After Leaving Federal Service*, which outlines in more detail the options described briefly below, the appropriate forms to process your selected option, and other information such as IRS withdrawal penalties and future TSP account activity.

#### 442.1 Transfer to IRA

You may transfer all or part of your account balance to an IRA or other eligible retirement plan. The balance is not taxed until you withdraw it from the IRA or plan.

#### 442.2 Lump Sum Payment

You may request a lump sum payment to be received when you are eligible to receive your basic CSRS retirement benefits. Taxes are due in the year the payment is issued.

#### 442.3 Installment Payments

You may request equal payments of your account balance to begin when you are eligible to receive your basic CSRS retirement benefits. You may choose payments for a fixed period — for example, 5, 10, or 15 years — or in a fixed amount until your account is depleted. Once payments have begun, the

balance remaining continues to accrue earnings. Once you receive all payments for the time period you have chosen, all benefits end. If you die before receiving all of your installments, your beneficiary will receive the balance of your account in one lump sum payment.

#### 442.4 **Life Annuity**

You may request an immediate or deferred life annuity based on the balance in your account. There are a number of annuity options. Payments are made to you for life. Some life annuities provide that, after your death, your surviving spouse (or other beneficiary) also receives a monthly benefit for life. This is referred to as a **joint and survivor** annuity. Life annuities are provided by insurance companies selected by the Thrift Investment Board. You may choose to receive your annuity immediately after you leave the service, or defer the annuity until a later date.

## 45 Social Security Administration and Medicare Benefits

### 451 **Qualifying for Benefits**

To qualify for Social Security Administration (SSA) benefits, you must be age 62 or older and must have at least 10 years of work under Social Security. Benefits are payable based on your earnings shown on the individual Social Security wage record and the age at which you retire. The receipt of a civil service annuity does not prohibit anyone from receiving Social Security benefits. However, the calculation of these benefits may be affected.

### 452 **How a Civil Service Retirement Annuity Can Affect Your Social Security Benefits**

Two provisions in the Social Security law may cause your civil service annuity to reduce your Social Security benefits. These provisions are commonly referred to as the *Windfall Elimination Provision* and the *Government (Public) Pension Offset*. It is important to mention that these provisions apply only to Postal Service and federal workers who receive their entire pension or a portion of their pension under CSRS rules. These two provisions are briefly covered in this section.

#### 452.1 **What the Windfall Elimination Provision Means**

Persons who first become eligible for Social Security benefits **after 1985** and who also become eligible for CSRS retirement benefits **after 1985** are subject to computation of Social Security benefits under the Windfall Elimination Provision. Social Security benefits are intended to replace a percentage of a worker's preretirement earnings, giving a higher percentage replacement of earnings to a lower paid worker than to a higher paid worker.

Lower paid workers could receive a Social Security benefit up to 90 percent of their preretirement earnings, while highly paid workers could receive a Social Security benefit of about 42 percent of their preretirement earnings.

To determine benefits, the SSA uses the total of the past 30 years of Social Security earnings in all computations. CSRS employees with past 30 years of earnings under CSRS and not Social Security may appear to be lower paid workers. Therefore, a special computation rule, the Windfall Elimination Provision, is used to make sure that CSRS employees are not treated as lower paid workers and consequently receive an unfairly higher percentage of their preretirement earnings as a Social Security benefit. The Windfall Elimination Provision corrects the Social Security benefits computation by recognizing that CSRS employees have preretirement earnings that are not subject to Social Security, and that those employees will receive retirement benefits outside the Social Security system.

The number of years you have worked in employment covered by Social Security deductions is the determining factor in the amount of Social Security benefit you may receive. If you have 30 years or more of substantial Social Security contributions (perhaps through self-employment or a job within the private sector) even though you retire under CSRS, your Social Security benefit is not reduced.

**Note:** For more information, see Social Security Administration (SSA) Publication No. 05-10045, *Windfall Elimination Provision*, available at local Social Security Offices, your local personnel office, or on the Internet at [www.ssa.gov](http://www.ssa.gov).

#### 452.2 **What the Government (Public) Pension Offset Means**

All CSRS annuitants who became eligible for CSRS retirement benefits beginning after November 1982 have their entitlement to benefits **under their spouse's Social Security** affected by the Government (Public) Pension Offset provision.

Social Security spousal benefits were established to provide income to husbands and wives with little or no entitlement to retirement benefits in their own right. If your spouse (who is not a Federal employee) receives a Social Security benefit earned due to his or her employment, you are entitled to a spousal or widow's benefit. As with the Windfall Elimination Provision (see Section 452.1, What the Windfall Elimination Provision Means), the normal Social Security computation is adjusted to recognize that a CSRS employee receives a retirement benefit outside the Social Security system.

Pursuant to Pension Offset rules, two-thirds of your CSRS annuity is offset against the possible spousal benefit computed by the SSA. If two-thirds of your CSRS annuity is greater than the spousal Social Security benefit, you receive no spousal Social Security benefit. If the spousal Social Security benefit is greater than two-thirds of your CSRS annuity, then you receive the difference between the two figures.

**Note:** For more information, see Social Security Administration (SSA) Publication No. 05-10007, *Government Pension Offset*, available at local Social Security offices, your local personnel office, or on the Internet at [www.ssa.gov](http://www.ssa.gov).

**453 Medicare Benefits**

Medicare is a medical insurance program enacted in 1965 to provide health insurance to people who qualify for Social Security benefits. The hospital insurance (HI) program (Part A) of Medicare is financed through a portion of the total Federal Insurance Contribution Act (FICA) tax. Beginning January 1, 1983, all career federal and Postal Service employees became subject to the HI portion of the FICA tax. Consequently, your Postal Service and other federal employment counts toward eligibility for the Medicare Program in the same way that work covered by Social Security counts.

**454 Social Security Publications**

The Social Security Administration produces many publications targeted to specific subjects and audiences. The following publications are available through your local Social Security office and may be of interest to you:

- a. SSA Publication 05-10035, *Retirement Benefits*.
- b. SSA Publication 05-10070, *How Your Retirement Benefit is Figured*.
- c. SSA Publication 05-10007, *Government Pension Offset*.
- d. SSA Publication 05-10043, *Medicare*.
- e. SSA Publication 05-10084, *Survivors*.
- f. SSA Publication 05-10045, *Windfall Elimination Provision*.

## 46 Flexible Spending Accounts

---

**461 Termination of Accounts With Retirement**

When planning for retirement, remember that if you participate in the Flexible Spending Account (FSA) program, your period of participation ends the day after your termination date. That means that you may file a claim for the expenses of services or items received up to and including your termination date, but any services or items received after that date are not eligible for payment. You cannot continue your FSA coverage after you terminate.

**462 Deadline for Withdrawal Requests**

No matter when you terminate, your deadline for submitting withdrawal requests to the FSA Customer Service is the same — requests received by September 30 of the year following the year you participate will be processed.

## 463 **Contributions While on Postal Service Rolls**

### 463.1 **Regular Contributions**

If you are enrolled in FSA, you must pay a full pay period contribution for any pay period during which you are on Postal Service rolls. If you are on Postal Service rolls even for only the first day of a pay period, you will still have to pay your full FSA contribution (the payroll system does not prorate your FSA contribution).

The collection of FSA contributions (including the collection of missed contributions) relates strictly to the amount of the contributions you were scheduled to make while you were an FSA participant. What you actually claim, whether it is more or less than what you were scheduled to contribute while you were an FSA participant, does not affect what you must pay in contributions.

### 463.2 **Missed Contributions**

If you missed contributions you were scheduled to make from your paychecks because you were on Leave Without Pay (LWOP) or had insufficient pay, you must make up the missed contributions. If you missed contributions, you cannot reduce what you owe by not filing claims. These rules apply to any type of retirement, including a disability retirement.

After you return to a pay status, the Postal Service normally collects any missed contributions from your pay on a pre-tax basis during the plan year if sufficient pay is available. However, if you still owe Health Care FSA or Dependent Care contributions because you missed making contributions during your period of participation, then, at the end of the calendar year or at termination, this amount becomes a debt and will be collected (on an after-tax basis) under debt collection rules.

## 464 **For More Information**

For questions about the FSA program, please refer to the current version of the employee brochure FSA BK1, *Flexible Spending Accounts*, which is mailed to career employees each FSA Open Season and also is available from your personnel office.

For questions about eligible expenses or filing claims, please contact the FSA Customer Service Center at 800-842-2026.



# 5 Counseling Services

## 51 Postal Service Counseling for Employees

---

Your local personnel office provides you with individual retirement counseling, and annual group sessions are also scheduled. You are encouraged to attend and include your spouse in both individual and group retirement counseling sessions. As an **employee**, you should contact your district personnel office for assistance and information.

## 52 Office of Personnel Management Counseling for Retirees and Survivors

---

OPM administers the CSRS and is responsible for counseling and assisting retirees and survivors on retirement and insurance matters. As an **annuitant**, you may contact OPM by writing to:

CIVIL SERVICE RETIREMENT SYSTEM  
OFFICE OF PERSONNEL MANAGEMENT  
1900 E STREET NW  
WASHINGTON DC 20415-0001

If you find it necessary to communicate with that office, you should provide complete identifying information, such as your full name, date of birth, agency where you were employed and the dates of such employment, and the Civil Service Annuity (CSA) number assigned to you as an annuitant.

**Note:** While you are an **employee**, the OPM staff cannot respond to inquiries, so you must contact your local personnel office.

## 53 Social Security Administration Assistance

---

The SSA is responsible for providing information and assistance regarding Social Security benefits. Specific inquiries and questions should be referred to your local Social Security office. You can find information about Social Security on the Internet at [www.ssa.gov](http://www.ssa.gov).

## 54 Federal Retirement Thrift Investment Board Assistance

---

The Federal Retirement Thrift Investment Board is responsible for providing information to retirees concerning their TSP accounts. If you have a TSP account, at retirement you will receive from your employing office a copy of TSP BK02, *Withdrawing Your TSP Account After Leaving Federal Service*. This booklet provides information you need concerning your account (see Subchapter 44, Thrift Savings Plan). You can find information about TSP on the Internet at [www.tsp.gov](http://www.tsp.gov).

# 6 Processing the Retirement Application

## 61 Employee Responsibility

---

### 611 Selecting the Date

You may select any date for retirement after you become eligible. However, you should carefully consider the retirement law provisions concerning the commencement date of annuities (see Subchapter 26, Annuity Commencement Date). If you are retiring voluntarily, remember that, if your retirement date is between the fourth and the last day of the month, your annuity will not begin until the first day of the following month. These provisions on the commencement date do not apply to a disability retirement or retirement based on an involuntary separation. Annuities under these conditions begin the day after separation or the day after the last day in a pay status.

### 612 Contacting a Counselor

Contact your designated district retirement counselor early enough to allow that person time to answer any questions you may have or to resolve any problems you may be experiencing. This is especially important if you are combining your military service with civilian service, or your local personnel office needs to verify creditable service time. Advance planning gives you time to assess carefully whether to make a deposit or redeposit for certain service, if applicable. Someone in your local personnel office designated to perform retirement counseling will assist you.

### 613 Application for Retirement

#### 613.1 General Information

You may obtain an SF 2801, *Application for Immediate Retirement*, from your employing office. Your counselor will gladly assist you in completing the form. This form should be submitted to your employing office as far in advance as possible, but not less than 6 weeks before your actual retirement date. The retirement application package contains the following:

- a. A summary of basic eligibility requirements for civil service retirement.
- b. Instructions for the completion and submission of all required forms contained in the package.
- c. Additional information about retirement, including:
  - (1) How to file your application.
  - (2) What happens after you file your retirement application.
  - (3) What to do if your address changes before processing is completed.
  - (4) How to have your annuity payments sent to a bank or other financial institution.
  - (5) How annuities are paid and accrued.
  - (6) How cost-of-living increases are determined.
  - (7) How annuities are computed.

### 613.2 **Reminder**

It is important that you understand that your election on the SF 2801 to provide or not to provide survivor benefits for your spouse is, in most instances, an irrevocable decision after the application has been processed by OPM. It can be changed only during retirement if there is a change in your marital status or if you elected less than a full survivor annuity for your spouse. You may increase the survivor annuity within 18 months of your retirement (see Subchapter 34, Annuity Election Changes After Retirement).

## 614 **Review of Federal and Postal Service History**

### 614.1 **Verifying Your Service and Benefits**

All service and insurance coverage should be verified and documented before your retirement package is submitted to OPM. Otherwise, the final processing of your retirement application may be delayed until the missing documentation is obtained.

Ask your personnel office to:

- a. Verify that your current SF 2823, *Designation of Beneficiary (FEGLI)*, if you have submitted one, is on file.
- b. Verify your health benefits and life insurance coverage.
 

**Note:** If you have not been enrolled for the 5 years of service immediately preceding your annuity commencement date (or from your first opportunity to enroll), you **cannot** continue your health benefits or life insurance coverages into retirement. Federal health benefits coverage as a family member counts toward the 5-year requirement.
- c. Give you a copy of your Retirement, Thrift Savings Plan, and Reduction in Force (RTR) Retirement History Report so that you can make sure all of your military and/or federal service is shown.

**614.2 Reviewing the Retirement History Report**

Review the RTR Retirement History Report to verify the following:

- a. Service dates for all of your career and noncareer Postal Service and other federal employment, including part-time or intermittent appointments.
- b. Any military service.

**614.3 Supplying Missing Documentation**

If any period of service is missing from your RTR Retirement History Report, inform the person assisting you and request help obtaining the missing documentation.

**614.4 Verifying Retirement Eligibility**

Get advice from the person assisting you about whether your records verify that you meet the age and service requirements on your proposed retirement date.

**615 Military Discharge Certificates**

If you are claiming military service for retirement purposes, you should provide complete copies of all your Forms DD 214, *Certificate of Release or Discharge From Active Duty*, with your SF 2801, *Application for Immediate Retirement*.

## 62 Employing Office Responsibility

---

As soon as you submit your SF 2801, *Application for Immediate Retirement*, your employing office completes an SF 2801-1. This form provides a cumulative record of your complete federal service, both civilian and military. After the form is completed, you must review and sign it. Entries reflect only service verified by official documents in your official personnel folder (OPF) or by other official documents the Postal Service possesses. OPM cannot use unverified service for retirement purposes, and you should be aware of the impact that unverified service has on your annuity.

Upon completion of all paperwork, personnel proceeds as follows:

- a. Forwards your retirement application, the SF 2801-1, and documentation of your health benefits and life insurance enrollments to the Retirement Branch of the Eagan ASC.
- b. Prepares a PS Form 50, *Notification of Personnel Action*, effecting your retirement. You should receive your copy of this PS Form 50 within 3 to 4 weeks after your separation date.

## 63 Office of Personnel Management

---

### 631 Receipt of Retirement Package

Shortly after they receive your application for retirement, OPM will send you an acknowledgment and your retirement claim number, which will begin with the letters CSA (for *Civil Service Annuity*). This number is very important because you must refer to it any time you call or write OPM about your claim. You should not attempt to contact OPM before you receive your CSA number.

### 632 OPM Review

OPM reviews your application package and any retirement records they have on file from service at a previous agency and assembles them into a retirement file.

### 633 Interim Annuity Payments

If your entitlement to annuity is clear, OPM authorizes interim annuity payments to provide you with an income until your claim is finalized. Interim annuity payments are usually about 85 percent of your estimated monthly payment and begin within 30 days after OPM receives your retirement package from the Eagan ASC.

### 634 Processing by Claims Examiner

Your case is assigned to a retirement claims examiner for verification of your application. The claims examiner reviews your entitlement to benefits and follows up to obtain any outstanding documentation needed to process the application. When your retirement file is complete and accurate, the claims examiner determines the amount of your monthly annuity benefit and sends you informational material concerning your retirement benefits. OPM completes the final verification of fully documented claims within 50 to 55 days from the date OPM receives the retirement package.

## 64 Direct Deposits

---

### 641 Required Method of Payment

Public Law 104–134 requires all federal payments, for which the first date of eligibility for payment is on or after July 26, 1996, to be paid by direct deposit through electronic funds transfer (EFT) into a savings or checking account at a financial institution (see OPM Benefits Administration Letter No. 99-106, dated July 9, 1999). However, if receiving payment by direct deposit would cause a hardship financially or otherwise, you may waive direct deposit and receive your payment by check.

**642 Required Form**

You can arrange or waive direct deposit by completing either OPM Form RI 38-128, *It's Time to Sign Up for Direct Deposit*, or PS Form 1199-A, *Direct Deposit*. You can obtain Form RI 38-128 from your local personnel office or PS Form 1199-A from your financial institution.

## 65 Taxing Your Annuity

---

**651 Federal Income Tax Withholding****651.1 Provision**

The Tax Equity and Fiscal Responsibility Act of 1982 requires OPM to automatically withhold federal income tax from the taxable portion of your annuity unless you elect not to have withholding apply. The income tax is scheduled to be withheld at a rate applicable to a married person claiming 3 withholding allowances. However, OPM will provide you with Form W-4P-A, *Election of Federal Income Tax Withholding*, shortly after interim payments begin, to allow you to change or terminate the amount being withheld.

**651.2 Taxable Portion of Annuity**

Annuities effective after November 18, 1996, are subject to the Internal Revenue Service (IRS) Simplified Method to determine the taxable portion of your annuity. For a detailed explanation of how your annuity is taxed, request IRS Publications 721, *Tax Guide to U.S. Civil Service Retirement Benefits*, and 525, *Taxable and Nontaxable Income*, from the IRS.

If after reviewing Publication 721 you need assistance to determine how your annuity is taxed, follow the directions provided in this publication for obtaining assistance from the IRS. Neither OPM nor your local personnel office **can** provide you with advice concerning your federal income tax liability. If you need assistance to determine the taxability of your annuity, contact your tax advisor or the IRS.

**652 State Income Tax Withholding****652.1 Voluntary Withholding Program**

You may have state income tax withheld from your regular annuity payments only if your state participates in the Voluntary State Income Tax Withholding Program. Contact your state tax office to determine if you live in a participating state.

**652.2 Withholding Request**

State tax deductions cannot be taken from interim payments. You may contact OPM by phone at 888-767-6738 or 724-794-5925 (or 202-606-0500 in Washington, DC) after receipt of your CSA number to establish this

deduction. You must specify the monthly amount you want withheld, with the minimum being \$5.

## 66 Avoiding Delays

Your annuity claim may be delayed if the Postal Service encounters problems when reviewing your OPF or processing your application, or if OPM has problems verifying your service. It is essential, therefore, that you initiate your retirement process at least 6 weeks before your planned retirement date. Check your OPF several months before your retirement date to ensure that all your pertinent papers are ready for processing. By taking these precautions, you can avoid a delay of weeks, or even months, in receiving your annuity.

## 67 Mailing Instructions

### 671 **Final Pay and Terminal Leave Payment**

The Eagan ASC sends your final pay and terminal leave payment to your employing office. Therefore, make sure your employing office knows where to forward your last payroll check.

### 672 **Annuity Payments**

If your address changes after you submit your retirement application, check with your local personnel office staff to see if they forwarded the change to OPM. If they have not, notify OPM of your change of address by writing to or calling:

RETIREMENT OPERATIONS CENTER  
OFFICE OF PERSONNEL MANAGEMENT  
PO BOX 440  
BOYERS PA 16017-0440

Toll-Free: 888-767-6738 or 724-794-5945

TDD Toll-Free: 800-878-5707 (for the hearing impaired)

In Washington, DC: 202-606-0500

TDD in Washington, DC: 202-606-0551

If writing, provide OPM with your name, date of birth, Social Security number, date of retirement, the Post Office™ from which you retired, and your CSA number, if you have received it. You **always** need to refer to your CSA number when you write to OPM.

**Note:** Write to OPM only if your local personnel office forwarded your application to that office. Also, be sure to notify your former local personnel office of your forwarding address.



**673 Ensuring Receipt of Annuity Payments**

If you change banks, do **not** close out your old bank account until you begin receiving direct deposit annuity payments at the new account. This will prevent a break in your receipt of annuity payments.

## 68 Information Assistance

---

**681 Documenting CSA Number**

After OPM assigns you a CSA claim number, keep a record of it in several places and tell your spouse, or at least one other person, where to find it.

**Note:** Since this CSA number identifies you and must be included on all correspondence with OPM, make sure your designee knows how to access it in case of emergency.

**682 Requesting Information**

After retirement, all requests for information must be addressed to OPM.

- a. Address correspondence about retirement to:

RETIREMENT OPERATIONS CENTER  
OFFICE OF PERSONNEL MANAGEMENT  
PO BOX 45  
BOYERS PA 16017-0045

- b. Telephone inquiries should be made to one of the following:

Toll-Free: 888-767-6738 or 724-794-5945 (recorded message)

TDD Toll-Free: 800-878-5707 (for the hearing impaired)

In Washington, DC: 202-606-0500

TDD in Washington, DC: 202-606-0551

OPM customer service specialists are available from 7:00 a.m. to 5:00 p.m. Eastern time, Monday through Friday. By phone, the specialists provide general information and make changes to mailing addresses, payment addresses, federal and state income tax withholdings, and various health benefits. You can also make changes using the automated services and your personal identification number (PIN) 24 hours a day, 7 days a week.

Once your annuity application is processed, OPM mails your annuity explanation with instructions on how to obtain your PIN. Using your PIN you may make various changes to your own retirement account, request verification of personal information, or request OPM informational material. OPM continually updates this system, adding new options as they become available. You may currently use the automated telephone service to do the following:

- (1) Report a death of retiree or survivor annuitant.
- (2) Change an address.
- (3) Change federal and state income tax withholding amounts.

- (4) Request verification of income.
  - (5) Request current value of life insurance.
  - (6) Request verification of the survivor benefits.
  - (7) Ask OPM to mail various retirement forms and brochures.
- c. Automated services are also provided via the Internet at [www.servicesonline.opm.gov/mainris.asp](http://www.servicesonline.opm.gov/mainris.asp), to do the following:
- (1) Report a missing annuity payment.
  - (2) Replace a CSA card or, if you are a survivor, a Civil Service Final (CSF) card.
  - (3) Change a PIN.
  - (4) Make a savings bond election.
  - (5) Request a duplicate 1099-R.
  - (6) Change account information, including allotments.

# 7 Death Benefits

## 71 General Information

---

The Postal Service has a sincere interest in your well-being and that of your family. This retirement guide is designed primarily to assist you in your retirement planning, but it can also be used as a source of general information and guidance for your survivors. We suggest you tell your family, a friend, or the individual you select as the executor of your will, not only where to find your will, but also where you keep your retirement and insurance papers, this retirement guide, and other important information. It will save a great deal of time and facilitate a smooth handling of your affairs should you become too ill to do so. It will also facilitate filing for death benefits upon your death. See Exhibit 71, Personal Records Locator, for help in organizing this information.

## 72 Survivor Annuity

---

### 721 Death in Service

If your death occurs while you are employed, your surviving spouse and children qualify for a monthly survivor annuity provided:

- a. You were subject to CSRS or CSRS Offset at death and had completed at least 18 months of creditable civilian service.
- b. You and your spouse were married for at least 9 months at the time of death or your spouse is the parent of a child born of your marriage. The 9-month requirement does not apply in case of accidental death.
- c. The children are unmarried and under age 18, or under age 22 if full-time students in recognized educational institutions, or unmarried and incapable of self-support at the time of your death, regardless of age, provided the disability occurred before age 18.

## Exhibit 71

**Personal Records Locator**

<b>Information Source</b>	<b>Location of Documents or Person to Contact</b>
Employment-Connected Insurable Benefits	
Pension Benefits	
Social Security Benefits	
Proof of Age	
Marriage Certificate	
Children's Birth Records	
Military Service Records	
Death Benefits	
Savings Accounts	
Checking Accounts	
Savings and Loan Accounts	
Your Life Insurance	
Spouse's Life Insurance	
Children's Life Insurance	
Household Insurance	
Health Insurance	
Automotive Insurance	
Medicare	
Other Insurance	
Bonds	
Stocks	
Real Estate Taxes	
Mortgage	
Real Estate Insurance	
Safety Deposit Box	
Wills	
Executor or Attorney	
Financial Obligations	
Memberships	
Diplomas	
Licenses	
Health Records	
Other	

**722 Death After Retirement**

If your death occurs after you retire, and if you accepted a reduced annuity with survivor benefits at retirement and your surviving spouse has been married to you for a total of at least 9 months at the time of your death or is the parent of your child, your surviving spouse qualifies for an annuity. The marriage duration requirement does not apply if your death is accidental. Children described above automatically qualify for survivor annuity regardless of your survivor annuity election.

**723 Exception**

OPM must honor qualifying court orders that provide survivor annuity benefits for a former spouse. If you have a former spouse who is entitled to a full survivor annuity based on a qualifying court order, your current spouse receives monthly survivor benefits after your death only if the former spouse loses entitlement to the court-ordered survivor benefits, unless you elect to provide an insurable interest annuity for your spouse when you retire. A court order providing survivor benefits to a former spouse does not affect survivor benefits for eligible children (see Parts 313, Survivor Annuity for Former Spouse, and 353, Election for Current Spouse).

**724 Duration of Survivor Annuity**

A survivor annuity for a spouse continues for life unless the spouse remarries before age 55. A child's annuity ends when the child is married, reaches age 18 (or age 22 if a full-time student), or, if disabled, becomes capable of self-support (recovers from the disability).

## 73 Lump Sum Benefits

---

**731 Amount**

Lump sum benefits consist of the total amount you contributed to your retirement fund. However, no lump sum benefits of retirement contributions are paid if your current spouse, former spouse, or children are eligible for a survivor annuity. If your survivor annuity terminates before your retirement contributions are exhausted (paid out in the form of annuity), the balance remaining in your account is payable in a lump sum. Any unpaid accrued annuity due you at death is also payable in a lump sum.

**732 Order of Precedence**

A lump sum is payable in this order:

- a. Designated beneficiary.
- b. Spouse.
- c. Child or children in equal shares.
- d. Parents.

- e. Executor or administrator of estate.
- f. Next of kin.

## 74 Death Claims

---

### 741 Death in Service

#### 741.1 Notification

If your death occurs while you are in service, your survivors should notify your local personnel office immediately.

#### 741.2 Documentation Required

When your local personnel office is notified of your death, they offer to assist your survivors in filing the necessary claim forms for death benefits. The following documents are required:

- a. Three certified copies of the death certificate.
- b. Copies of all military discharge certificates, Forms DD 214, *Certificate of Release or Discharge From Active Duty*.
- c. Copy of marriage certificate.
- d. Copies of birth certificates of dependent children under age 22.

#### 741.3 Obtaining Claim Forms

Your local personnel office provides these applicable claim forms:

- a. SF 2800, *Application for Death Benefits*.
- b. FE-6, *Claim for Death Benefits (Federal Employees' Group Life Insurance)*.
- c. SF 1153, *Claim for Unpaid Compensation of Deceased Civilian Employee*.

When the forms are completed and returned to personnel, they are sent immediately to the offices responsible for processing them.

### 742 Death After Retirement

#### 742.1 OPM Notification

Your survivors should notify OPM of your death giving your full name, CSA claim number, date of birth, date of death, and the name and address of the person entitled to death benefits. They should write or call:

RETIREMENT OPERATIONS CENTER  
OFFICE OF PERSONNEL MANAGEMENT  
PO BOX 45  
BOYERS PA 16017-0045

Toll-Free: 888-767-6738 or 724-794-5945

TDD Toll-Free: 800-878-5707 (for the hearing impaired)

In Washington, DC: 202-606-0500

TDD in Washington, DC: 202-606-0551

The death of an annuitant can also be reported on the Internet at [apps.opm.gov/retire/death/death.cfm](https://apps.opm.gov/retire/death/death.cfm).

#### 742.2 **Return of Annuity Checks**

Your survivors should return uncashed annuity checks with a statement stating the date of your death to:

FINANCIAL MANAGEMENT SERVICE  
US TREASURY DEPARTMENT  
PO BOX 7224  
SAN FRANCISCO CA 94120-7224

#### 742.3 **Notification to Financial Institution**

If your checks are being deposited directly into your bank account by OPM, your survivors should contact your bank and any other financial institutions, notifying them of the date of your death.

#### 742.4 **Obtaining Claim Forms**

When OPM receives notice of your death, they review your retirement records and send applicable claim forms to the person entitled to the death benefits. They also issue a Civil Service Final (CSF) number and a CSF card to replace the CSA card.

This page intentionally left blank



# 8 FERS Transferees With Frozen CSRS Benefits

## 81 Introduction

---

Chapter 8 covers the FERS portion of your annuity. See also OPM booklet FERS RI 90-1, *Federal Employees Retirement System (An Overview of Your Benefits)*.

## 82 Eligibility

---

Employees under FERS may retire optionally when they reach any of the following combinations of length of service and age or minimum retirement age (MRA):

Age	Length of Service
MRA	30 Years
60	20 Years?
62	5 Years
MRA	10 Years*

\*A FERS employee may take an optional **reduced** retirement at minimum retirement age (MRA) with at least 10 years of service (MRA+10), or separate at MRA+10 and defer retirement and other benefits to a later date to reduce or avoid the reduction (see Exhibit 82, Minimum Retirement Ages, and Part 833, Reduction).

You may calculate your MRA using Exhibit 82.

Exhibit 82  
**Minimum Retirement Ages**

<i><b>If the year of birth is . . .</b></i>	<i><b>Then the MRA is . . .</b></i>
Before 1948	55
1948	55 and 2 months
1949	55 and 4 months
1950	55 and 6 months
1951	55 and 8 months
1952	55 and 10 months
1953–1964	56
1965	56 and 2 months
1966	56 and 4 months
1967	56 and 6 months
1968	56 and 8 months
1969	56 and 10 months
1970 and After	57

## 83 Annuity Computations

### 831 High-3 Average Salary

The high-3 average salary used to compute the FERS portion of your annuity is the same as that used for the CSRS portion (see Section 251.12, High-3 Average Pay).

### 832 Service

The FERS portion of your annuity is computed at the rate of 1 percent of your high-3 average salary for every year of service under FERS. If you are 62 or older at retirement and your combined CSRS and FERS service equals 20 or more years, your FERS annuity is calculated at the rate of 1.1 percent for every year of FERS service.

### 833 Reduction

Your annuity will be subject to reduction in the following instances:

- a. *Early Retirement.* Should you retire under the minimum retirement age (MRA) and 10 years of service provision, your annuity is reduced by 5 percent for every year you are under age 62. This reduction applies to your entire annuity not just the FERS portion.
- b. *Survivor Benefits.* If you elect survivor benefits for your current (or former) spouse, or if there is a court order on file with OPM that grants a former spouse a survivor annuity, your total annuity is reduced by 10 percent to provide the survivor annuity.

## 84 Credit for Sick Leave

---

You receive credit in the CSRS portion of your annuity for no more than the sick leave hours total credited to you on the day before the effective date of your transfer to FERS. Sick leave hours earned after the date you transferred to FERS are not creditable for retirement purposes.

## 85 Annuity Commencement Date

---

Your annuity (both the CSRS and FERS portions) begins the month following your retirement. This means that if you retire on April 30, your annuity will begin May 1. If you retire on May 1, your annuity will begin June 1.

## 86 Cost-of-Living Adjustments

---

The CSRS portion of your annuity receives full cost-of-living adjustments (COLA) in accordance with information previously discussed (see Subchapter 28, Cost-of-Living Adjustment). The FERS portion of your annuity does not receive COLA until you reach age 62. From then on, the adjustment is usually 1 percent less than the rate of inflation.

<i><b>If the increase in the Consumer Price Index is...</b></i>	<i><b>Then the annual FERS COLA is...</b></i>
Up to 2.0%	Same as CPI
2.0% to 3.0%	2.0%
Above 3.0%	CPI increases minus 1.0%

## 87 Survivor Benefits

---

The benefit payable to your surviving spouse is either 50 percent or 25 percent of your annuity, based on the joint election you and your spouse make at retirement. The amount payable to your survivor and the reduction are based on your combined annuity (CSRS and FERS).

## 88 Public Pension Offset

---

The Social Security Public Pension Offset provision (see Section 452.2, What the Government (Public) Pension Offset Means) does not apply to an employee who made an election to transfer to FERS by December 31, 1987, or during the belated period ending June 30, 1988. However, employees who transfer during any other election period (New Hire 6-Month Opportunity, or 1998 One-Time Election Opportunity) must work at least 5 years under FERS before retiring in order to be exempt from the Public Pension Offset.

## 89 FERS Application for Retirement

---

An employee who wishes to apply for retirement benefits and is subject to FERS at the time of retirement must complete an SF 3107, *Application for Immediate Retirement (Federal Employees Retirement System)*. This form may be obtained from a local personnel office.