

FREQUENTLY ASKED QUESTIONS REDEPOSIT SERVICE

What Is Redeposit Service?

As employees, we contribute to either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) if we are in a position that conveys retirement coverage. When those contributions are made to either CSRS or FERS, they are automatically withheld from your pay and deposited in the Civil Service Retirement and Disability Fund (CSRDF) or the Federal Employees Retirement Fund. Your agency also makes contributions to the retirement fund for all employees who have retirement contributions withheld from their pay. These funds and associated earnings are the source of funds for your retirement benefits. Your retirement benefit is called an **annuity**.

If you separate from service for more than 30 days, you may request and receive a **refund** of your retirement contributions you have paid into the Civil Service or the FERS. When you receive a refund of your contributions, the period of service represented by the refunded contributions is called **redeposit service**.

If I Take My Contributions Out, Can I Pay Them Back If I Return To Work?

Maybe, depending on which retirement system you were in when you received a refund of your contributions and a few other factors. The National Defense Authorization Act (NDAA) for fiscal year 2010 made significant changes to how refunds and redeposit service is treated for retirement. Prior to enactment of the NDAA, FERS employees who separated from federal service and were paid a refund of their FERS retirement deductions permanently forfeited all retirement credit for the service covered by the refund. If the FERS refund included a refund of CSRS deductions covering CSRS service that became subject to FERS rules, employees permanently forfeited all retirement credit for that CSRS service as well. If that individual returned to work for the Government in a position covered under FERS, the employee could not repay (or redeposit) the refunded FERS and CSRS deductions. The service covered by the refunded deductions could not be used in determining when the employee would become eligible to retire and it could not be used in computing the amount of the employee's annuity.

(Employees who received a refund of CSRS deductions for service that would be credited under FERS rules before becoming subject to FERS could establish FERS credit for that refunded CSRS service upon returning to work under FERS by paying a FERS deposit

for the service, generally equal to 1.3 percent of the basic pay received during that service, plus interest.)

Provisions of section 1904 of the NDAA only apply to employees covered under FERS on or after October 28, 2009, and only affect annuity benefits based on a separation from FERS coverage on or after October 28, 2009

The CSRS and FERS rules for employees who take a refund of contributions are below:

- A CSRS employee may make a **redeposit** (a payment to the retirement fund) to pay for CSRS, CSRS Interim or CSRS Offset redeposit service.
- Employees covered by FERS on or after October 28, 2009, may repay (or redeposit) any FERS deductions previously refunded to them. They may also redeposit any CSRS deductions previously refunded to them that covered CSRS service that is credited under FERS rules.
- A FERS employee who receives a refund of FERS retirement contributions (or deposits) **may not** make a redeposit.
- A FERS employee who receives a refund of CSRS, CSRS Interim, or CSRS Offset retirement contributions may make a redeposit .

Some current FERS employees may have had prior service that was covered under CSRS. The rules for FERS employees who have received a refund of prior CSRS contributions can be complicated. Some CSRS redeposit service falls under CSRS rules, other CSRS redeposit service falls under FERS rules. To find the right rule for your CSRS redeposit service, you need to determine whether you will have a **CSRS component** to your annuity. If you have a CSRS component, it is the part of a FERS retirement benefit that is credited and computed using the CSRS rules and the **CSRS annuity formula**. The annuity formula determines how much each year of service will be worth in your annuity (i.e., a percentage of your high-3 average salary). CSRS and FERS have different annuity formulas.

You **will** have a CSRS component if you **elected** to transfer to FERS **and** you had at least **5 years** of potentially creditable civilian service under CSRS and/or FICA (Social Security coverage only) prior to electing FERS. When counting your service to see if you have 5 years of CSRS and/or FICA service, do not count any **CSRS Interim or CSRS Offset service**. CSRS Interim is a version of the CSRS that was established pending the creation of the FERS. CSRS Interim employees on January 1, 1987, who had at least 5 years of potentially creditable civilian service as of December 31, 1986, became known as CSRS Offset. Employees who had a break in CSRS covered service of at least one year and who had at least 5 years of potentially creditable civilian service by

the end of December 31, 1986, or as of the last break in service if the break in service ended after December 31, 1986, with at least one day of prior “covered service” under CSRS or the Foreign Service Retirement and Disability System (FSRDS). As a CSRS Interim or CSRS Offset employee, you paid into CSRS and FICA at the same time and now that you have elected FERS, this CSRS Interim or CSRS Offset service falls under FERS rules.

- If you have a CSRS component, you may make a redeposit for CSRS redeposit service. Since the CSRS redeposit service will be used in your CSRS component, you use the CSRS rules to determine the affect of the redeposit service.
- If you have a CSRS component, you may make a redeposit for CSRS Interim or CSRS Offset redeposit service **only** if you applied for the refund of the contributions **before** you transferred to FERS. Now that you are a FERS employee, the CSRS Interim and CSRS Offset service will be subject to FERS redeposit rules (not the CSRS redeposit rules).

You **will not** have a CSRS component if you were **automatically** placed in FERS, **or** if you **elected** to transfer to FERS **but** you had less than **5 years** of potentially creditable civilian service under CSRS and/or FICA (Social Security coverage only) prior to electing FERS. Again, when counting your service to see if you have 5 years of CSRS and/or FICA service, do not count any CSRS Interim or CSRS Offset service. During this service you paid into CSRS and FICA and now that you are a FERS employee, this CSRS Interim or CSRS Offset service will be subject to FERS rules.

- If you do not have a CSRS component, you may make a redeposit for CSRS, CSRS Interim, or CSRS Offset redeposit service **only** if you applied for a refund of the deposits **before** you transferred to or became covered under FERS. Since you will not have a CSRS component, the FERS redeposit rules apply to all of your redeposit service.

Can Redeposit Service Affect My Retirement Benefits?

Yes. If you do not make a redeposit to cover the period of redeposit service, it will affect your retirement. An **unpaid redeposit** may affect you when you are eligible to retire and may impact how much money you receive in **annuity payments**. An annuity payment is your monthly retirement benefit. Annuity payments start when you retire and are paid for the rest of your life. If you pay a redeposit, you will receive full retirement credit for the period(s) of redeposit service.

Retirement credit can be broken down into two categories:

- **Eligibility:** CSRS and FERS have different retirement eligibility requirements. Although there are many factors that affect whether you are eligible to retire, one factor is your length of service.
 - If you receive eligibility credit for a period of service, that service counts towards meeting the length of service requirement for retirement (i.e., 30 years of service for voluntary retirement).
 - If you do not receive eligibility credit for a period of service, that service will not count towards meeting the requirement for retirement (which means you may need additional service for retirement eligibility).
- **Computation:** CSRS and FERS have different annuity formulas for computing the amount of your annuity payment. One factor in these formulas is your length of service for computation purposes. (**Note:** Your length of service for computation may be less than your length of service for eligibility.)
 - If you receive credit for a period of service for computation purposes, that service will be added to all other periods of creditable service to determine your total length of service. This total will then be used to compute the amount of your annuity payment.
 - If you do not receive credit for a period of service for computation purposes, that service will not be used in calculating the amount of your annuity payment (which means you will get less money).

The rules that determine the affect of an unpaid redeposit are different depending upon when the service was performed and whether the service would be creditable under CSRS or FERS.

What Is The Effect Of An Unpaid Redeposit Under CSRS?

If the unpaid redeposit is for CSRS service performed before March 1, 1991, and retirement benefits are not for Disability or for Death-in-Service payments:

- **Eligibility:** you receive length of service credit for the period of redeposit service.
- **Computation:** you receive length of service credit for the period of redeposit service.
- **Reduction:** your annuity payment is permanently reduced. The reduction to your monthly annuity payment is based on your age at retirement and the amount of redeposit owed. This is called an **actuarial reduction**.

To compute the amount of the monthly actuarial reduction, divide the amount of the redeposit due by the **actuarial reduction factor** (see Actuarial Reduction Factor chart). The factor to be used depends on your age at the time of retirement. Round your answer up to the next dollar and you have the amount of the monthly reduction in the annuity.

$$\frac{\text{Redeposit Owed}}{\text{Actuarial Factor}} = \text{Monthly Actuarial Reduction}$$

Example of unpaid redeposit for service performed before March 1, 1991:

Bob retires after 30 years of total service. He is 56 years old. His total service includes 4 years of redeposit service performed before October 1, 1990. The redeposit for this 4-year period is \$17,500 (this is the amount of his refund, plus interest). Bob is considering paying the redeposit. His high-3 average salary is \$60,000.

If Bob pays the \$17,500 redeposit, his annual annuity payment would be \$33,750 (before adjustments for tax withholdings, insurance premium payments, cost-of-living adjustments (COLA), etc.). (With 30 years of service, he receives 56.25% of his \$60,000 high-3 average salary.)

If Bob does not pay the \$17,500 redeposit, his annuity payment would be reduced by \$85 each month (\$1,020 total each year) (computation below). This is a permanent reduction. Bob's annual annuity payment would be \$32,832 (before adjustments).

$$\frac{\text{Redeposit Owed}}{\text{Actuarial Factor}} = \frac{\$17,500}{207.2 *} = \$84.46 \text{ or } \$85 \text{ Monthly Actuarial Reduction}$$

*Based on age 56 from 2004 Actuarial Reduction Factor Chart at the end of this handout

If the unpaid redeposit is for CSRS redeposit service performed on or after October 1, 1990, or retirement benefits are based on Disability Retirement or Death-in-Service:

- **Eligibility:** you receive length of service credit for the period of redeposit service.
- **Computation:** you do not receive length of service credit for the period of redeposit service.

Example of unpaid redeposit for service performed on or after March 1, 1991:

Susan retires after 30 years of total service. Her total service includes 4 years of redeposit service performed after March 1, 1991. The redeposit for this 4 year period is \$12,500 (amount of her refund, plus interest). Susan is considering paying the redeposit. Her high-3 average salary is \$50,000.

If Susan pays the \$12,500 redeposit, her annual annuity payment would be \$28,125 (before adjustments). (With 30 years of service, she receives 56.25% of her \$50,000 high-3 average salary.)

If Susan does not pay the \$12,500 redeposit, she will not receive credit in her annuity computation for the 4 years of redeposit service. Her annuity computation would be based on 26 years of service instead of 30. Her annual annuity payment for 26 years of service would be \$24,125 (before adjustments). (With 26 years of service, she receives 48.25% of her \$50,000 high-3 average salary.)

What Is The Effect Of A Redeposit Under FERS?

The basic FERS redeposit rule is simple. If the redeposit is made, service is creditable for retirement eligibility and annuity computation. If no redeposit is made, the service is creditable for retirement eligibility ONLY.

You can contact your employing office for more information on your redeposit. They can help you with the special rules that apply to determine if your service prior to becoming FERS will be subject to CSRS or FERS redeposit rules.

What Is The Cost Of The Redeposit?

For redeposits payable under CSRS, the amount of the redeposit equals the amount of the refund received, **plus** accrued interest beginning the date the refund was paid. For redeposits payable under FERS, the amount due is 1.3% of basic pay earned during the period of service, **plus** interest. (Remember, CSRS, CSRS Interim, or CSRS Offset retirement contributions that are now creditable under FERS may be redeposited if you applied for the refund before you transferred to or became subject to FERS.)

Why Do I Have To Pay Interest And How Much Will It Be?

When your retirement contributions are made to either CSRS or FERS, they are automatically withheld from your pay and deposited in the retirement fund. Your agency also makes contributions to the retirement fund for all employees who are making retirement contributions. These funds and interest earned are the source of funds for the benefits (**annuity**) you will receive after retirement.

If you have redeposit service, your retirement contributions for that period of service are no longer in the CSRDF. Therefore, the money has not been earning interest since you took the refund to fund retirement benefits for that period of service. The government charges interest on redeposits to make up for the interest your refund did not earn.

CSRS redeposit service is subject to interest rates that vary according to the date the refund application was received by the employing agency or the Office of Personnel Management (OPM). If the application was received before October 1, 1982, interest on the redeposit accrues daily beginning on the date the refund was paid and is charged at rates below (compounded annually).

- **4%** interest before January 1, 1948; and
- **3%** interest from January 1, 1948, through the date the redeposit is made, or to the commencing date of the annuity, whichever is earlier.

Under CSRS, if the application for the refund was received by the employing agency or OPM after September 30, 1982, interest is charged on the redeposit, beginning on the date the refund was paid, at the following rates (compounded annually):

- **3%** through December 31, 1984; and
- **Variable interest rates** after December 31, 1984 (rates listed below).

FERS redeposit service is subject to interest based on when the service was performed. Interest accrues annually on the outstanding balance (compounded annually).

- **4%** interest before January 1, 1948;
- **3%** interest from January 1, 1948, through December 31, 1984; and
- **Variable interest rates** apply after December 31, 1984 (rates listed below).

Variable Interest Rates

These rates are determined at the end of each year by the Secretary of the Treasury. The rates are based on the amount of interest the Government earned on investments that year.

<u>Year</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Interest Rate</u>
1985	13.00%	1998	6.75%
1986	11.125%	1999	5.75%
1987	9.00%	2000	5.875%
1988	8.375%	2001	6.375%
1989	9.215%	2002	5.50%
1990	8.75%	2003	5.00%
1991	8.625%	2004	3.875%
1992	8.125%	2005	4.375%
1993	7.125%	2006	4.125%
1994	6.25%	2007	4.875%
1995	7.00%	2008	4.75%
1996	6.875%	2009	3.875%
1997	6.875%	2010	3.125%
		2011	2.75%

Note: If you have CSRS redeposit service for which an application for a refund of retirement contributions was received by the employing agency or OPM **before October 1, 1982**, the variable interest rates are not charged. The 3% rate would continue to apply (4% until January 1, 1948). If you have a CSRS redeposit for which the application for a refund of retirement contributions was received by the employing agency or OPM on or after October 1, 1982, or a redeposit payable under FERS, 3% applies to the unpaid balance from January 1, 1948, through December 31, 1984. Beginning January 1, 1985, the variable interest rates apply to the unpaid balance.

Who May Make A Redeposit?

Current employees covered by CSRS (including CSRS Offset) or FERS, a separated employee eligible for an immediate annuity, a former employee eligible for a deferred annuity, and the spouse or former spouse of a deceased employee entitled to survivor annuity benefits may make a redeposit.

How Do I Make A Redeposit?

- Ask your employing office for an **estimate** of the redeposit amount owed.
- If you intend to make a redeposit, complete one of the following **forms** (depending on whether you are a CSRS or FERS employee).

CSRS - SF 2803, Application to Make Deposit or Redeposit, or
FERS - SF 3108, Application to Make Service Credit Payment

The forms are available on the OPM website at
<http://www.opm.gov/forms/html/sf.asp>.

- Complete the front of the form and submit it to your employing office. **Note:** if you plan to retire within 6 months, submit the form with your retirement application.
- Your employing office completes the remainder of the form and mails it to OPM.
- OPM computes the amount of your redeposit (including interest) and OPM will forward you payment instructions and an official bill indicating your outstanding balance.
- You can pay the redeposit in full or in installments of at least \$50.00. Payments must be made directly to OPM. You cannot pay the redeposit through payroll deductions, but you can arrange for electronic funds transfer (EFT) payments from your bank account to OPM. Email screceipts@opm.gov to get confirmation of your redeposit.
- Each time you make a redeposit payment, OPM will send you a statement showing the new redeposit balance. Keep these statements for your records because your redeposit payments **will not** be reflected in the retirement contributions block of your Leave and Earnings Statements. Interest will continue to be charged on the unpaid balance until it is paid in full.
- Redeposits may be paid before or after retirement, but must be completed before the final adjudication of your retirement claim. If the redeposit is not paid in full before your retirement claim is finalized, OPM will send you a refund of the incomplete redeposit. (Exception: for CSRS redeposits for service performed before October 1, 1990, OPM will reduce your annuity actuarially for the unpaid redeposit).

ACTUARIAL REDUCTION FACTORS EFFECTIVE OCT. 01, 2007			
AGE AT RETIREMENT	REDUCTION FACTOR	AGE AT RETIREMENT	REDUCTION FACTOR
40	281.1	66	164.5
41	285.5	67	159.0
42	282.1	68	153.4
43	278.8	69	147.7
44	275.3	70	142.0
45	271.4	71	136.3
46	267.2	72	130.5
47	262.9	73	124.9
48	258.6	74	119.4
49	253.6	75	113.8
50	248.6	76	108.6
51	244.1	77	103.6
52	239.7	78	98.2
53	234.9	79	98.8
54	229.8	80	87.6
55	224.6	81	82.2
56	219.4	82	76.6
57	214.2	83	71.8
58	209.1	84	67.7
59	203.9	85	63.4
60	198.8	86	58.8
61	193.2	87	54.7
62	187.4	88	51.2
63	181.7	89	47.9
64	176.0	90	43.6
65	170.2		