

# EMPLOYEE HANDOUT

## REFUNDS / **DEAL OR NO DEAL?**

### BACKGROUND

A refund is a lump-sum payment of the contributions paid by the employee into the Civil Service Retirement and Disability Fund, Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS). A refund includes all retirement contributions deducted from basic pay, deposits, voluntary contributions, re-deposits, military service credit deposits, and interest payable under the retirement law.

### Eligibility Requirements

In order to receive a refund you must meet **all** of the following criteria:

- Be separated from the Federal government for **at least 31 consecutive days** OR be transferred to a position not subject to CSRS or FERS retirement deductions for at least 31 consecutive days;
- File a refund application (CSRS, SF-2802 or FERS, SF-3106) with the Office of Personnel Management (OPM);
- Not be reemployed in a position subject to CSRS or FERS retirement deductions at the time you file your application;
- Not be *eligible* to receive an annuity within 31 days of separation after filing the application;
- Not be prohibited from receiving a refund due to a court order; AND
- Notify your current and/or former spouse(s) of the refund request, *if* applicable.

It is recommended that you discuss all of the relevant facts with your employing office before making a final decision. You are not required to withdraw your retirement contributions and you may leave the money in the fund until you are eligible for a deferred retirement. In the event of your death, all of the money in the fund will be payable to your designated beneficiary as a lump sum benefit.

Survivors of deceased former employees who were covered by the Federal Employees Retirement System may be eligible for a survivor benefit if the individual dies before he/she is eligible for a deferred annuity. The former employee must not have taken a refund and have had a minimum of ten years of creditable service.

### **Reasons why you might want to take a refund**

- If you have *less* than 5 years of civilian service (you must have 5 years to receive an annuity), and you **do not intend** to return to Federal employment;

**OR**

- If you have 5 or more years of civilian service, you **do not intend** to return to Federal employment, and you believe that you can invest the funds so that the final value of such investments *exceeds* the value of the deferred annuity.

### **Reasons why you might not want to take a refund**

- A refund of all deductions **voids** any retirement options, including survivor benefits until the refund is redeposited.
- If you have at least 5 years of civilian service, and entitled to a deferred annuity at age 62 that may exceed the value of the lump sum credit. A deferred annuity would not only provide you a retirement benefit, but it would provide a survivor annuity for your spouse if you have elected one.
- If you are reemployed by the Federal government and wish to receive credit for the refunded service. You may find that regaining the credit for refunded service may be very expensive. The cost of the redeposit is equal to the refund received plus interest.
- Under **FERS** if you are married before you can receive a refund, you must notify your spouse and any former spouse that you have filed the application. In addition, you may be barred from receiving a refund if the refund would end the court-ordered right of any spouse or former spouse to future benefits based on your service.

If an employee becomes disabled while at work, they can apply for both an OPM Disability Retirement Benefit as well as an OWCP Benefit. The employee cannot receive both benefits at the same time so he/she will have to suspend one of the benefits to receive the other. In addition, an employee in receipt of compensation has the option of withdrawing their retirement contributions. However, if the employee later dies for reasons unrelated to the job injury, the survivors of the employee would not be eligible for a survivor annuity based on the employee's Federal service.

### **Other information regarding Refunds**

- Employees who have more service under CSRS than required to earn the maximum benefit of 80 percent (which is usually reached after 41 years and 11 months of service) may receive a refund when their retirements are processed by OPM of any excess retirement contributions. Excess deductions are applied to any unpaid deposits and redeposits. When a retirement claim is adjudicated by OPM, the retiree will be given the choice of having any remaining amount refunded or using it to purchase additional annuity.

### **Reached A Refund Decision?**

If you decide to apply for a refund within 30 days after your date of separation and you did not receive notice from your payroll office that your retirement records were forwarded to the Office of Personnel Management (OPM) in Boyers, PA, you should **mail your application to your employing office.**

If you decide to apply for a refund more than 30 days after your date of separation or you have received notice from your payroll office that your retirement records were sent to OPM, you must forward your application directly to the appropriate OPM address:

For **CSRS employees:**  
U. S. Office of Personnel  
Management  
Retirement Operation Center  
Post Office Box 45  
Boyers, PA 16017-0045

For **FERS employees:**  
Office of Personnel Management  
Federal Employees Retirement System  
ATTN: Refund  
Post Office Box 45  
Boyers, PA 16017-0045

To find more detailed information about refunds reference the CSRS & FERS Handbook for Personnel Payroll Offices Chapter 32.