

ORDER

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
EASTERN REGION
JAMAICA, N.Y. 11430

EA 3800.4

7/17/89

SUBJ: VOLUNTARY CONTRIBUTIONS - CIVIL SERVICE RETIREMENT SYSTEM

1. PURPOSE. This order advises employees of an Office of Personnel Management (OPM) provision which permits employees who are covered under the Civil Service Retirement System (CSRS) to make voluntary contributions to the CSRS Fund.

2. DISTRIBUTION. This order is distributed to all employees in the Eastern Region.

3. BACKGROUND. Voluntary contributions are optional payments to the CSRS Fund made in addition to the regular deductions taken from employees' salaries. They are used only to purchase additional annuity at retirement. This additional annuity is added to the regular annuity normally received at retirement. If eligible, employees may make voluntary contributions at regular intervals or whenever they wish. Voluntary contributions cannot be deducted from salary. Each payment must be made directly to the Office of Personnel Management and it must be in a multiple of \$25 (i.e., \$50, \$75, \$100, etc.).

4. LIMIT ON CONTRIBUTIONS. Total contributions cannot be more than 10 percent of total basic civilian salary received since August 1, 1920, or date of hire, if later. The Office of Personnel Management cannot compute employees' limitations until retirement. Any contributions made will be accepted and, when an employee retires, any amount found to be in excess of the limit will be refunded.

5. INTEREST EARNED.

a. Voluntary contributions previously earned three percent interest, compounded annually. They now earn a variable interest rate determined by the Treasury Department each calendar year. Interest is compounded annually each December 31. The variable interest rates paid have been as follows: 1985 - 13 percent, 1986-11.125 percent, 1987 - 9 percent, and 1988 - 9.125 percent.

b. Interest accrues to the date of separation for retirement. Employees who separated with entitlement to a deferred annuity at age 62, will continue to accrue interest to the beginning date of the deferred annuity, or death, whichever is earlier. Employees who separate with less than 5 years civilian service are not entitled to deferred annuity, and interest on the voluntary contributions account will cease on the date of separation from service.

Distribution: A-XEA-8; FOF-8; AEA-42 (5 Copies);
AEA-15 (10 Copies)

Initiated By: AEA-15B

6. INFORMATION.

a. If death occurs prior to retirement, voluntary contributions and interest are payable immediately in a lump sum. It cannot be used to purchase additional survivor annuity for a spouse or children. If death occurs after retirement, any voluntary contributions or interest not paid back in the form of additional annuity or survivor annuity, will be refunded in a lump sum.

b. Each \$100 in voluntary contributions and interest will purchase \$7 a year of additional annuity at age 55 or younger. This additional annuity increases 20 cents for each full year the employee is over age 55 at retirement. Thus at age 60, each \$100 will purchase \$8 a year additional annuity; at age 62, \$8.40 a year; and at age 70, \$10 a year. The additional annuity is payable for as long as the employee remains retired.

c. Additional annuity purchased with voluntary contributions is not increased by COLA's in retirement.

d. Employees who retire may also elect additional survivor annuity with voluntary contributions. If elected, the above-mentioned additional annuity will be reduced to provide additional survivor annuity. Upon death of the retiree, the survivor will be paid one-half of the additional annuity for life. The reduction in the retiree's annuity is determined by the difference in the ages of the retiree and the survivor, as shown below:

<u>Age of Person Named in Relation to Retiree</u>	<u>Percent of Reduction in Retiree Annuity</u>
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

e. Employees may apply for a refund of all, not just a part, of their voluntary contributions and interest at any time prior to retirement. If a refund is paid, voluntary contributions may not again be paid into the account unless the employee is separated from service for more than three calendar days, and is again reemployed under CSRS.

f. Accrued interest paid on a refund of voluntary contributions is taxable in the tax year in which it is received. (See IRS Publication 721, "Comprehensive Tax Guide to U.S. Civil Service Retirement Benefits.")

7. ADDITIONAL INFORMATION. Any further questions should be directed to the Employee Benefits Section at FTS 667-1063 or (718) 917-1063.

8. FERS EMPLOYEES may NOT open a voluntary contributions account. However, any employee who had a voluntary contributions account before becoming covered by FERS may retain the interest-earning account, but may not add to it.

9. ACTION. Interested employees shall complete Standard Form 2804, Application to Make Voluntary Contributions. A copy of the SF 2804 is provided in Appendix 1 of this order. Additional copies may be obtained from the Employee Benefits Section, AEA-15B, of the Human Resource Management Division. Completed applications MUST be forwarded directly to the Office of Personnel Management, Retirement and Insurance Programs, Washington, D.C. 20415. Upon approval, OPM will assign an account number and send instructions for making contributions directly to the employee's residence.

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Daniel J. Peterson
Acting Regional Administrator

<p>Standard Form 2804 May 1980 FPM Supplement 831 - 1 2804-106 NSN 7540-00-634-4253 Previous editions not usable</p>	<p>APPLICATION TO MAKE VOLUNTARY CONTRIBUTIONS CIVIL SERVICE RETIREMENT SYSTEM</p> <p>TO AVOID DELAY: 1. Read carefully the instructions below and the information on the attached page. 2. Typewrite or print in ink; 3. Complete application in full.</p>	<p>3. Date of birth (Month, Day, Year)</p>
<p>1. (A) Name MR. MRS. MISS</p>	<p>(First) (Middle) (Last)</p>	<p>2. List all other names you have used</p>
<p>1. (B) Address</p>	<p>(Number and Street) (City, State, ZIP Code)</p>	<p>4. (A) Department or agency in which presently employed, including Bureau, Branch, or Division 4. (B) Location of employment (City and State) 4. (C) Title of present position</p>
<p>5. (A) Do you have any civilian government service since August 1, 1920. During which no Civil Service Retirement deductions were taken from your salary?</p> <p style="text-align: center;"><input type="checkbox"/> YES <input type="checkbox"/> NO</p>	<p>6. (A) Do you have any service during which Civil Service Retirement deductions were taken from your salary and later refunded to you?</p> <p style="text-align: center;"><input type="checkbox"/> YES <input type="checkbox"/> NO</p>	<p>7. (A) Have you ever made voluntary contributions before and later received a refund of them? <input type="checkbox"/> YES <input type="checkbox"/> NO</p>
<p>5. (B) If "YES" have you made a deposit to the Civil Service Retirement fund to cover this non-deduction service?</p> <p style="text-align: center;"><input type="checkbox"/> YES <input type="checkbox"/> NO</p>	<p>6. (B) If "YES" have you made a redeposit to the Civil Service Retirement fund of the amount refunded to you?</p> <p style="text-align: center;"><input type="checkbox"/> YES <input type="checkbox"/> NO</p>	<p>7. (B) If "YES" have you since been separated from the government service for a period of more than 3 calendar days? <input type="checkbox"/> YES <input type="checkbox"/> NO</p>
<p>IF YOUR ANSWER TO QUESTION 5(B), 6(B), OR 7(B) IS "NO," DO NOT FILE THIS APPLICATION. SEE ELIGIBILITY INSTRUCTIONS BELOW.</p>		
<p>I hereby apply to make voluntary contributions to the Civil Service Retirement Fund for the purpose of purchasing additional annuity at retirement and certify that I am presently employed in a position subject to the Civil Service Retirement Law or I am an applicant for Civil Service retirement.</p>		
<p>Signature of applicant</p>		<p>Date</p>
<p>INSTRUCTIONS</p> <p>ELIGIBILITY - 1. Voluntary contributions may be made only if you are an employee who is serving under the Civil Service Retirement law or a former employee who is an applicant for retirement.</p> <p>2. You must not owe a deposit for non-deduction service or a redeposit for refunded retirement deductions. Application to Make Deposit or Redeposit (Standard Form 2803) may be obtained from your employing agency or the Office of Personnel Management.</p> <p>3. If you have previously been paid a refund of voluntary contributions, you must have been separated from Government employment for more than 3 calendar days.</p> <p>FILING OF APPLICATION - Send this completed application direct to the Office of Personnel Management, Washington, D.C. 20415. Do not send any payment with this application. After it is received and accepted, you will be sent full instructions on how to make your payments.</p>		
<p>ADDITIONAL INFORMATION - Information concerning voluntary contributions is on the attached sheet. Additional information, if needed, may be obtained from the personnel office of the Government department or agency in which you are employed. If this source of information is not available to you, contact the nearest regional office of the Office of Personnel Management or the Office of Personnel Management, Retirement and Insurance Programs, Washington, D.C. 20415.</p> <p>PRIVACY ACT STATEMENT - Title 5, U.S. Code, Chapter 83, Civil Service Retirement authorizes the solicitation of this information. The date you furnish will be used to determine if you are eligible to make voluntary contributions to the Civil Service Retirement and Disability Fund. This information may be shared with national, state, local or other charitable or social security administrative agencies to determine and issue benefits under their programs, or with law enforcement agencies when they are investigating a violation or potential violation of the civil or criminal law. Provision of the information is voluntary; however, failure to supply all of the requested information may delay or prevent you from making voluntary contributions to the retirement fund.</p>		
<p>SEE ATTACHED SHEET FOR IMPORTANT INFORMATION REGARDING VOLUNTARY CONTRIBUTIONS</p>		

VOLUNTARY CONTRIBUTIONS

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Appendix 1

Eligibility. An employee covered by CSRS (including CSRS Offset) who wants to receive a larger annuity than would be payable based on service and "high-3" may make voluntary contributions to purchase additional annuity. However, an employee who owes a deposit or redeposit for civilian service will be eligible to make voluntary contributions only after the deposit or redeposit is paid. Also, an employee who has previously made voluntary contributions, and received a refund of those contributions, may not make voluntary contributions again, unless he or she has had a break in service after receiving the refund.

An employee who is covered by FERS may not open a voluntary contributions account. An employee who had a voluntary contributions account before becoming covered by FERS may retain an account, which will continue to earn market interest (see Interest, below), but may not add to the account.

Amount of Additional Annuity. At retirement, each \$100 in a voluntary contributions account (including interest earned) will provide an additional annuity of \$7 a year, plus 20 cents for each full year the employee is over age 55. The employee may also choose to share the additional annuity by electing to provide a survivor annuity. However, the employee's additional annuity would then be reduced by 10 to 40 percent depending on the difference between the employee's age and the age of the person designated to receive the survivor annuity. Any person, related or unrelated to the employee, may be designated, and need not be the same person for whom regular survivor annuity benefits were elected.

Note: Voluntary contributions annuities are not increased by COLA's.

Interest. Voluntary contributions earn a variable

interest rate determined by the Treasury Department each calendar year, based on the average yield of new investments purchased by the Retirement Fund during the previous fiscal year. The interest credited to each voluntary contributions account is compounded annually on December 31. The 1989 interest rate paid on voluntary contributions is 9.125 percent.

As a general rule, if an employee separates from Federal service to retire on an immediate annuity, interest accrues on the voluntary contributions account to the date of separation for retirement. If an employee separates from federal service with entitlement to a deferred annuity at age 62, interest continues to accrue to the beginning date of annuity or death, whichever is earlier. However, if a separated employee takes a refund of deferred annuity, interest accrual stops at the date of separation from service.

Limitations on Voluntary Contributions. Voluntary contributions may be made only in amounts of \$25 or in multiples of \$25 (\$50, \$75, etc.). Total contributions may not exceed 10 percent of the total basic pay the employee received during all of his or her federal service.

Refund of Voluntary Contributions. An employee may withdraw all voluntary contributions with interest at any time before receiving additional annuity based on those contributions. If the employee dies while still in federal service (or after leaving but before receipt of annuity benefits), the voluntary contributions account, plus interest, will be paid to the employee's survivors, in the order of precedence specified in the retirement law, as a lump-sum payment.

If the employee dies after retirement before having received additional annuity payments equal to the

voluntary contributions plus interest, the difference will be paid either as a lump sum or in additional survivor annuity payments, depending upon the employee's election at retirement.

If an employee takes a refund of voluntary contributions, any accrued interest is taxable in the 1st year in which it is received. Any additional annuity that comes from voluntary contributions is taxed under the "General Rule." (See IRS Publication 721, "Comprehensive Tax Guide to U. S. Civil Service Retirement Benefits.")

Application Form and Payments. A CSRS (or CSRS Offset) employee who wants to make voluntary contributions should file a Standard Form 2804 (Application to Make Voluntary Contributions) with OPM. After the application is approved, OPM will assign the employee an account number and send instructions for making contributions.

The employee should not send money with the application. Contributions will not be accepted until the application is approved. OPM will not approve an application from an employee who (1) has not deposited amounts covering all civilian service, or (2) has previously received a refund of voluntary contributions, unless the applicant was separated for more than three calendar days, and was again employed under CSRS after the refund was paid.

Source: Office of Personnel Management