

## INTEREST ACCRUAL DATE

In most cases, interest is assessed annually on the employee's interest accrual date (IAD). The IAD is January 1 for civilian service credit deposits. For military service credit deposits, the IAD will always be October 1, where initial employment subject to Civil Service Retirement System (CSRS) occurred before October 1, 1983. For employees who perform military service after the date they are first hired in a position covered by CSRS (including CSRS Offset) and after October 1, 1983, the initial IAD is three years from the date the employee returns to a position subject to CSRS Retirement deductions.

# Service Credit Deposits and Refunds

## Civilian Service

### CSRS

Under CSRS, civilian service as a Federal or District of Columbia employee is generally creditable for retirement. Service while employed but in a nonpay status is creditable for up to 6 months per calendar year.

If you are covered by CSRS, all past civilian service (including service for which no deductions were withheld and service for which a refund of deductions has been paid) is used to determine your eligibility for an annuity. If you received a refund, however, the service covered by the refund cannot be included in computing your length of service for your annuity, unless the refund is redeposited (repaid) after you become reemployed. **Exception:** Even if you do not pay a redeposit, refunded service that ended before October 1, 1990, will still be credited when you retire, subject to an actuarial reduction in your annuity. The reduction is based on the amount of the redeposit and your age at the time of retirement. This exception to the redeposit requirement does not apply if you retire for disability.

Non-deduction service (service for which no deductions were taken) performed on and after October 1, 1982 is not creditable in computing your annuity unless a deposit is paid. Non-deduction service performed before October 1, 1982, is not fully creditable in computing your annuity unless a deposit is paid. However, if you do not pay the deposit for pre-October 1, 1982 service, the yearly amount of your annuity will be reduced by 10 percent of the unpaid deposit. A CSRS employee may make deposits and redeposits at any time, but not after the U. S. Office of Personnel Management has completed processing the employee's annuity application. The redeposit payment is the amount of the refund, plus interest from the date of the refund. The amount of a

deposit is usually 7% of the basic pay for the period, plus interest from the midpoint of the period. Interest on deposits for non-deduction service on and after October 1, 1982, and on refunds based on applications received on and after October 1, 1982, is computed at the rate of 4% through 1947, 3% through 1984, and an annually variable rate beginning in 1985 (reflecting certain U.S. Treasury Department interest rates for the previous fiscal year). The variable interest rates since 1984 are as follows:

1985	13%
1986	11.125%
1987	9%
1988	8.374%
1989	9.125%
1990	8.75%
1991	8.625%
1992	8.125%
1993	7.125%
1994	6.25%
1995	7.0%
1996	6.875%
1997	6.875%
1998	6.75%

Interest on deposits for non-deduction service before October 1, 1982, and refunds based on applications received before October 1, 1982, is computed at the rate of 4% through 1947, and 3% after 1947.

## FERS

Under the rules for employees who transfer to FERS, civilian service covered by retirement deduction or deposits is creditable for all purposes. If you receive a refund of FERS deductions after the effective date of your transfer to FERS, you can never redeposit the FERS funds, and the period covered by the refund will not be creditable for the purposes of entitlement or computation of your annuity. If there is a CSRS component, and CSRS contributions were also returned, they follow CSRS redeposit rules. You can also request a refund of only your CSRS deductions upon separation.

Non-deduction service cannot be credited unless it was performed before 1989 and a deposit is made. (An exception in the law allows certain non-deduction service performed after 1988 to be credited if it is creditable under the Foreign Service Pension System.)

**If you transfer to FERS, any service subject to CSRS Offset deductions after 1983 (and before the effective date of your transfer to FERS) becomes subject to FERS rules.** But, if these deductions were refunded upon separation from service, they may usually be redeposited upon later reemployment subject to FERS. The treatment of other civilian service performed before the effective date of your transfer (that is, the civilian service not subject to CSRS Offset deductions) depends on how much service you have. For simplicity, this past service will be called non-offset service. Non-offset service includes non-deduction service performed before transferring to FERS (except that such non-deduction service

performed after 1988 can be used only in a CSRS component), service for which a deposit or redeposit has been made at the full CSRS rate, and service for which deductions were taken at the full CSRS rate, whether refunded or not.

## Military Service

### CSRS

Under CSRS, honorable active military service is generally creditable. However, most military retirees are barred from receiving credit toward a civilian annuity unless they waive their military retired pay. The military retired pay need not be waived if it is based on disability involving certain injuries incurred in wartime or if it is Chapter 67 (reservists') retired pay. If you are a military retiree, your retired pay center can tell you whether you fall under one of these exceptions.

Beginning in 1957, military service became subject to Social Security, and treatment of military service under retirement depends on whether or not it was performed after December 31, 1956. A 1982 change in law also distinguished between pre-October 1, 1982 hires and those employees who first became subject to CSRS on or after that date.

Employees first hired in positions subject to CSRS after September 30, 1982 can receive credit for military service after 1956 **only** if they make a deposit covering this service. Employees hired in positions subject to CSRS before October 1, 1982 can receive credit for military service after 1956 without making the deposit. However, credit for this service will be eliminated if the individual becomes eligible (or would become eligible upon proper application) for Social Security old-age benefits at age 62 unless a deposit for the service is made before retirement.

The deposit is made directly to the employing office. The amount of the deposit is 7% of the military basic pay for the period, plus interest. CSRS Offset employees pay the same amount.

Interest is computed at the rate of 3% through 1984 and an annually variable rate beginning in 1985 (see table on page 54). Interest begins on October 1, 1985, or 2 years after the employee is first hired in a position subject to CSRS; whichever is later. However, because the method of computing the deposit calls for adding interest only at the end of the year after it begins, no interest is charged if the deposit has been paid in full by September 30, 1986, or within 3 years after first becoming subject to CSRS, if later.

### **Service in the National Guard**

Service in the National Guard, except when ordered to active duty in the service of the United States, is generally not creditable. However, you may receive credit for National Guard service, followed by Federal civilian reemployment that occurs after August 1, 1990, when **all** of the following conditions are met:

- ... The service must interrupt civilian service creditable under CSRS (or FERS) and be followed by reemployment in accordance with the appropriate chapter of the laws concerning Veterans Benefits; and
- ... It must be full-time (and not inactive duty), and performed by a member of the U.S. Army National Guard, or U.S. Air National Guard; and
- ... It must be under a specified law and you must be entitled to pay from the U.S. (or have waived pay from the U.S.) for the service.

The deposit for National Guard service that meets these criteria is limited to the amount that would have been deducted from your pay for retirement if you had remained in the civilian service. This means that CSRS Offset employees may pay a deposit of less than 7% for qualifying. The deposit is made directly to the employing office. The amount of the deposit is 7% of the military basic pay for the period, plus interest. CSRS Offset employees pay the same amount. Interest is computed at the rate of 3% through 1984 and an annually variable rate beginning in National Guard service.

### **FERS**

Military service that would be creditable under CSRS is creditable under FERS, except that all military service after 1956 must be covered by a deposit to receive credit. Even if an employee covered by FERS was first hired before October 1, 1982, military service after 1956 cannot be credited under FERS rules unless the required deposit is completed. The deposit must be made directly to the employing agency before retirement.

The amount of the deposit is 3% of the military basic pay for the period, plus interest. The deposit rate for qualifying National Guard service is limited to the amount that would have been deducted from pay had the person remained in his/her civilian position. Interest is computed at the same rate as applicable to CSRS deposits. Interest for military service that will be credited under FERS rules begins 2 years after the effective date of an election to join FERS. As under CSRS, however, no interest will actually be charged if the deposit is completed before the end of the year after interest begins; that is, if the deposit is completed within 3 years of the effective date of the election to join FERS.

Whether your past military service is credited under CSRS rules or FERS rules depends on how much non-offset civilian service you have as of the effective date of your transfer to FERS. Refer to

the above FERS section under "Civilian Service" to determine whether your military service will be subject to FERS rules or CSRS rules. **Note:** Any military service performed after your transfer and before retirement can be credited only under FERS rules. If you become subject to FERS rules but have already made a deposit under CSRS rules, a refund is payable. The refund will be equal to the difference between the 7% deposit and the 3% deposit. If you are eligible for this kind of refund,

your employing agency can give you more information.

### **Conclusion**

The varying rules for service credit deposits and refunds under CSRS and FERS are not significant factors in most transfer decisions.