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Subchapter 32A CSRS**Section 32A1.1-1 Overview**

- A. Introduction** This Chapter covers the payment of refunds to former employees who meet certain eligibility requirements.
-
- B. Coverage** This Chapter applies only to applications for refunds made after May 6, 1985. The date of an employee's separation from service does not matter.
-
- C. Topics Covered** This Chapter explains:
- The concept of the lump-sum credit;
 - The content of a refund;
 - The requirements an employee must meet to be eligible for a refund;
 - The effect of spouse/former spouse notification requirements on the payment of a refund;
 - The effect of court orders on the payment of a refund;
 - The effect of debts due the United States on the payment of a refund;
 - The procedure for obtaining a refund; and
 - The options available to an employee with respect to a refund upon separation from Federal service.
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Section 32A1.1-1 Overview (Cont.)**D. Organization of Subchapter**

The CSRS subchapter has eleven sections:

Section	Name of Section	Page
32A1.1-1	Overview	1
32A1.1-2	Lump-Sum Credit	3
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NOTE: Subchapter 32B about the payment of refunds under FERS begins on page 22.

E. Statement of Authority

This subchapter is based on the laws and regulations cited below.

- United States Code: 5 U.S.C. 8331(8) and 8342
- Code of Federal Regulations: 5 CFR Part 831, Subparts Q and T

Section 32A1.1-2 Lump-Sum Credit

A. Definition

A lump-sum credit is defined in 5 U.S.C. 8331(8) as the "unrefunded amount" of an employee's contributions to the Civil Service Retirement and Disability Fund (hereafter the "Fund"). The lump-sum credit consists of:

- Retirement contributions deducted from basic pay;
 - Deposits and/or redeposits, including deposits for post-1956 military service; and
 - Interest payable under law. (See section 32A1.1-3D.)
-

B. Payment of Lump-Sum Credit

The lump-sum credit may be paid to:

1. A separated employee or an employee who is no longer covered by CSRS or FERS who meets the requirements in section 32A1.1-4.
2. The beneficiaries of a deceased employee as a lump-sum death benefit.
3. The beneficiaries of a deceased annuitant (or survivor annuitant) if the full amount of retirement contributions had not been paid out in the form of an annuity (or survivor annuity) at the time of death.
4. The beneficiaries of a deceased former employee.

NOTE: In the case of 2 and 3 above, payment of the lump-sum credit is made to the beneficiaries of a deceased employee or annuitant only if there is no eligible survivor annuitant.

Section 32A1.1-3 Payment of Refund

A. Definition

A refund is the lump-sum payment to a former employee, or an employee who is no longer covered by CSRS or FERS, of the amount to his or her credit in the Fund. (Payment of the lump-sum credit to survivors of a deceased person is a lump-sum death benefit covered in Chapter 75, Lump Sum Benefits.)

B. Amount of Refund

A refund payment includes payment of any and all:

- Retirement contributions deducted from basic pay, including CSRS Offset contributions for individuals covered under CSRS Offset;
- Deposits and/or redeposits;
- Military service credit deposits;
- Voluntary contributions (see section 32A1.1-9); and
- Interest payable under law. (See section 32A1.1-3D.)

NOTE: An employee who has a voluntary contributions account can get a refund of the voluntary contributions before separation.

C. Partial Refund

A partial refund may be paid to a former employee only under very limited circumstances, which are described in section 32A1.1-10. For detailed information about the return of excess contributions, see Chapter 33, Return of Excess Contributions.

Section 32A1.1-3 Payment of Refund (Cont.)

D. Interest Payable Interest on all contributions, except voluntary contributions, is paid as follows:

Years of Service	Interest Due
1. One year of service (in the aggregate) in the periods covered by unrefunded retirement deductions and deposits.	None
2. More than 1 year of service (in the aggregate) in the periods covered by unrefunded deductions and deposits, but less than 5 years of creditable civilian service.	Four percent interest through 12/31/47 and 3 percent thereafter compounded annually to date of separation.
3. More than 1 year of service (in the aggregate) in the periods covered by unrefunded deductions and deposits, and 5 or more years of creditable civilian service.	Interest as stated in 2 (above) through December 31, 1956, and no interest thereafter.

E. Interest Payable on Voluntary Contributions Prior to 1985, voluntary contributions earned interest at the rate of 3 percent compounded annually. Starting January 1, 1985, the interest rate on voluntary contributions is a variable rate determined each year by the U.S. Department of the Treasury.

The rate is based on the average yield of new investments purchased by the Fund during the previous fiscal year. The interest rates are:

Variable Interest Rates			
Year	Interest Rate	Year	Interest Rate
1985	13.0%	1991	8.625%
1986	11.125%	1992	8.125%
1987	9.0%	1993	7.125%
1988	8.375%	1994	6.25%
1989	9.125%	1995	7.0%
1990	8.75%	1996	6.875%
		> 1997	6.875% <
		All future periods	To be determined by the Department of the Treasury

Section 32A1.1-3 Payment of Refund (Cont.)**F. Effect of
Obtaining Refund**

When a CSRS refund has been properly paid, all annuity rights based on service covered by the refund are void unless the former employee is later reemployed in a position subject to CSRS or FERS deductions. (If the reemployment is under FERS, it may be necessary to make a deposit to cover the service before any credit for the service is restored. See Chapter 21, Service Credit Payments for Civilian Service.)

EXCEPTION 1: If an individual who has received a refund applies for disability retirement within 1 year of separation and OPM approves the disability retirement, the refund is treated as an erroneous payment and becomes a debt to the Fund.

OPM will withhold the debt from future annuity payments. (See Chapter 4, Debt Collection, for information about debt collection.)

EXCEPTION 2: When a third party, such as the Merit Systems Protection Board or an arbitrator, cancels a separation because it found that the action was an unjustified or unwarranted personnel action, a refund becomes an erroneous payment and a debt due the Fund. The agency must withhold the refund from any back pay. (See 5 CFR 550.805(e)(2).)

**G. Future Credit for
Refunded Service**

Service for which the employee received a refund is creditable in determining whether a current employee has served the required number of years to be eligible for a CSRS annuity.

However, such service may be used for annuity computation purposes only in the following circumstances.

1. If the individual applies for a nondisability annuity commencing after December 1, 1990, and the refunded service ended before October 1, 1990, with certain exceptions (see section 21A3.1-3 of Chapter 21, Service Credit Payments for Civilian Service), the refund does not have to be repaid for the individual to receive credit for the service. Full credit will be allowed for the length of the refunded service, but the annuity will be actuarially reduced by an amount equal to the reduction for an alternative form of annuity lump sum in the amount of the redeposit.

Section 32A1.1-3 Payment of Refund (Cont.)**G. Future Credit for Refunded Service (Cont.)**

2. If the individual applies for a disability annuity or the refunded service ended after October 1, 1990, the individual must redeposit the refund plus interest (see Chapter 21).
3. If the individual is eligible to make an alternative annuity election (see Chapter 53, Alternative Annuity Elections), the redeposit will be deemed paid at the time of retirement (but see Chapter 21, section 21A3.1-3 for exceptions).

EXCEPTION: Service for which an employee received a refund can be included in the high-3 average salary computation even if a redeposit is not paid.

H. Effect of Government Claims

A refund is subject to any properly certified, timely request for recovery of a valid debt due the United States. Detailed information on debts due the United States is located in Chapter 4.

I. Federal Income Tax

The amount of a refund representing an employee's actual contributions is not subject to federal income tax. However, any interest paid on those contributions is taxable in the year in which the refund is paid.

Section 32A1.1-4 Employee Eligibility Requirements**A. Primary
Requirements**

A former employee must meet all of the following requirements to be eligible for a refund:

No.	Requirements
1	Separate from the service for at least 31 consecutive days or transfer to a position in which he or she is not subject to CSRS, CSRS Offset, or FERS deductions and remain such position for at least 31 consecutive days.
2	File an application with OPM for a refund.
3	Not to be reemployed in a position subject to CSRS or FERS deductions at the time the application is filed.
4	<p>Not to be eligible to receive an annuity within 31 days after filing the application.</p> <p>Note 1: Retiring employees generally have the option to elect an alternative annuity that provides for payment of the lump-sum amount unless the employee is retiring on disability or has a former spouse entitled to benefits under a court order. (See Chapter 53.)</p> <p>Note 2: For applications filed through agencies, the agency is OPM's agent for the purpose of the 31-day filing requirement. OPM uses the date received by the agency to determine whether the application meets the test.</p>
5	Not be prohibited from receiving a refund because of a court order. (See section 32A1.1-6.)
6	Comply with requirements for notification of current and former spouse(s) as outlined in paragraph B below.

Section 32A1.1-4 Employee Eligibility Requirements (Cont.)

B. Additional Requirements

The following decision table applies to all employees with civilian service subject to CSRS deductions who are applying for a refund after May 6, 1985:

No.	Marital Status	Creditable Service	Additional Requirements
1	Never married	Any amount	None
2	Currently unmarried with living former spouse:		
	A. Divorced prior to 5/7/85		None
	B. Divorced after 5/6/85 but married less than 9 months		
C. Divorced after 5/6/85 and married 9 months or more	At least 18 months (includes previously refunded service, but not nondeduction service)		
3	Currently married with or without living former spouse(s)	Any amount	Spousal notification required (See section 32A1.1-5)

A current spouse must always be notified, regardless of the length of the marriage or the amount of civilian service the employee has.

Section 32A1.1-5 discusses the spouse/former spouse notification requirements in detail.

Section 32A1.1-5 Spouse/Former Spouse Notification

- A. Requirement** The former employee must follow the procedures below to notify a current or qualifying former spouse(s) that he or she is applying for a refund.
-
- B. Procedure** The former employee's application must be accompanied by an SF 2802B (Current/Former Spouse Notification of Application for Refund of Retirement Deductions under the Civil Service Retirement System) for a current spouse and each qualifying former spouse. An SF 2802B must be signed by the individual's current spouse or any former spouse.
-
- C. Purpose of Notification** The purpose of notification is:
1. To inform the current or former spouse(s) of the refund application and its effect on any future annuity entitlement; and
 2. To document the fact that the current or former spouse(s) received the information.
- NOTE: The notification requirement is different from the "consent" requirement in retirement cases. (See Chapter 52, Survivor Benefit Elections.)
- In the absence of a qualifying court order (see section 32A1.1-6B), the spouse and/or former spouse cannot stop payment of the refund. However, upon notification, a spouse or former spouse can seek a qualifying court order to stop payment of the refund or send an existing qualifying court order to OPM if he or she has not done so already.
-
- D. Failure to Submit SF 2802B** OPM cannot pay the refund unless the applicant submits an SF 2802B, supplies the documentation required under paragraph E below, or is authorized a waiver of the notification requirement. (See paragraph F.)
-
- E. Inability to Secure Signature** If the employee is unable to secure a current or former spouse's signature on the application, the employee must submit with the refund application one of the following:
- Notarized statements by two individuals who witnessed the employee notifying or attempting to notify a current or former spouse of the refund application. The notarized statements must attest that the

Section 32A1.1-5 Spouse/Former Spouse Notification (Cont.)

E. Inability to Secure Signature (Cont.)

witness saw the employee personally give (or try to give) the notification to the spouse or former spouse, to whom the employee's purpose should have been clear.

- A current or former spouse's mailing address so OPM may attempt to notify him or her. If OPM is requested to make the notification, it will cause a 6 to 8 week delay in payment of the refund. The refund cannot be paid unless OPM receives a return receipt indicating that the notice was delivered.

F. Waiver of Notification Requirement

OPM may waive the spousal notification requirement if the employee submits evidence to OPM that his or her current or former spouse's whereabouts are unknown. Evidence may consist of:

- A determination by a court or administrative agency empowered to make a decision that the spouse is missing; or
- A notarized statement from the former employee and two other competent adults (one of whom is not related to the former employee), attesting to the fact that a current or former spouse's whereabouts are unknown. The statement must detail the steps taken to locate him or her.

NOTE: In the absence of sworn affidavits in E or F above, unsworn statements (declaration) in the following form are equivalent to an affidavit:

- (1) If executed outside of the United States, its territories, possessions, or commonwealths: "I declare (or certify, verify, or state) under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on (date).

(Signature)".

- (2) If executed within the United States, its territories, possessions, or commonwealths: "I declare (or certify, verify, or state) under penalty of perjury that the foregoing is true and correct.

Executed on (date).

(Signature)".

Section 32A1.1-5 Spouse/Former Spouse Notification (Cont.)**G. Falsification of
Information or
Signatures on
SF 2802B**

If a former employee falsifies information or signatures required on SF 2802B, he or she may be investigated and prosecuted under 18 U.S.C. 495, 18 U.S.C. 1001, or any other applicable statute.

If the falsification results in a payment to the former employee that should properly have been made to a current or former spouse based on a qualifying court order, the former employee will be subject to civil litigation or administrative action to recover the erroneously paid funds.

Section 32A1.1-6 Effect of Court Orders

- A. Requirement** A refund to an employee with a total of more than 5 years of creditable civilian service is subject to any qualifying court order issued after May 6, 1985, involving the former employee and his or her current or former spouse(s). The 5 years of creditable service includes temporary or other service during which the retirement deductions were not withheld.
-
- B. Qualifying Court Order** To be a qualifying court order, the court order must:
- Be on file with OPM before the refund is paid;
 - Expressly relate to the lump-sum credit (for example, "deductions," "contributions," "retirement fund," or "retirement account"); and
 - Entitle the spouse or former spouse(s) to a survivor annuity or an apportioned share of the employee's annuity.
-
- C. To Deny Payment of Refund** To deny payment of the refund, OPM must receive evidence of the following:
- The marriage to the former spouse(s) lasted at least 9 months (there is no minimum time requirement for a marriage to a current spouse); and
 - The employee's current or former spouse(s) has been granted a survivor annuity by court-ordered separation agreement effective after May 6, 1985; or
 - The employee's current or former spouse(s) has been awarded a portion of an annuity payable during the employee's lifetime by a court order or decree effective after May 6, 1985.
-
- D. Multiple Court Orders** In the absence of other controlling factors, OPM honors court orders according to date of issuance.
- Different Spouse (for example, a former spouse and a current spouse, or multiple former spouses): the order that was issued first is honored first.
 - Same Spouse: The order that was issued last is honored first.
-
- E. Reference** Detailed information on qualifying court orders is located in 5 CFR, Part 838.
-

Section 32A1.1-7 Application Procedures

**A. Employee
Responsibility**

1. The employee must file an SF 2802, Application for Refund of Retirement Deductions (and an SF 2802B, if required).
 - a. The SF 2802 must be signed, in ink, to be accepted by OPM. OPM must verify that the "original" signature appears on the application. OPM cannot accept a photocopy.
 - b. The payment address information shown on the SF 2802 must be the correct mailing address for the refund payment. OPM cannot accept an address that has been altered.
 - c. An SF 2802B must be given to the current spouse and all qualifying former spouses. A copy of the SF 2802B is attached to the SF 2802. Single copies are also available if needed.
2. Filing the application:
 - a. If the employee has been separated 30 days or less, the application must be filed with the agency.
 - b. If the employee has been separated more than 30 days, he or she sends the application directly to OPM at the following address:

**Office of Personnel Management
Civil Service Retirement System
Retirement Operations Center
ATTN: REFUNDS
Boyers, PA 16020**

**B. Agency
Responsibility**

1. The agency must:
 - Provide the employee with an SF 2802, Application for Refund of Retirement Deductions.
 - Review the employee's application for completeness, including compliance with spousal notification requirements, and enter the receipt date on the form.
 - Send the employee's Individual Retirement Record (SF 2806) to OPM with the refund application attached to the address given in paragraph A2b.

Section 32A1.1-7 Application Procedures (Cont.)**B. Agency
Responsibility
(Cont.)**

NOTE: The agency must make sure that CSRS 7 percent deductions were not withheld for an employee who should have been covered under FERS or CSRS Offset.

- Notify OPM if the employee owes a debt to the United States or attach a Request for Recovery of a Debt Due the United States (SF 2805) for debts to be recovered from the employee's lump-sum credit. (See Chapter 4, Debt Collection.)
 - If the SF 2806 has already been sent to OPM, send the refund application promptly to OPM with a notation stating the date and number of the Register of Separations and Transfers (SF 2807) with which the record was transmitted.
2. A copy of an Agency Checklist for a CSRS Refund Application (RI 36-56) is contained in Subchapter 32C, Job Aids and Forms. The checklist is an aid to help ensure that refund applications are completed correctly so that OPM can make refunds promptly when it receives an application. Forward the completed checklist to OPM with the employee's records.
-

**C. OPM
Responsibility**

1. When it receives a refund application, OPM:
 - Searches its files to identify all records that pertain to the applicant;
 - Reviews the application for completeness and the former employee's eligibility for payment;
 - Computes the refund, including any interest payable;
 - Withholds funds for any properly submitted government claim;
 - Honors a qualifying court order; and
 - Authorizes the refund payment.
2. If OPM determines that the employee appears to have been incorrectly placed under CSRS when he or she should have been under CSRS Offset or FERS, OPM does not pay any refund until it receives additional information showing that CSRS coverage was correct, or the agency submits corrected records. Correction of record involves not only the

Section 32A1.1-7 Application Procedures (Cont.)**C. OPM
Responsibility
(Cont.)**

- individual's record, but also correction of the agency contribution record, as well as Thrift Board and Social Security records. (See Chapter 84, Correction of Retirement Records.)
3. Assuming an applicant's records are complete and correct, OPM normally authorizes payment of a refund within 12 to 14 days of receiving the records. After OPM authorizes payment, it takes about 10 days for the Department of the Treasury to create the check and for the U.S. Postal Service to deliver it.
 4. To check on the status of a refund application, call OPM's Retirement Information Office (202) 606-0500. Those inquiring must provide:
 - The employee's name, date of birth, and social security number; and
 - The Register of Separations number and the date the SF 2806 was sent to OPM. (The agency payroll office assigns the register number and date when it sends records to OPM.)
-

Section 32A1.1-8 Employees and Annuitants Who Are Receiving Workers' Compensation (OWCP)

- A. Eligibility for a Refund** Employees who are separated from employment and receiving benefits from OWCP due to a job-related injury or disease may receive a refund of their CSRS retirement contributions.

NOTE: This includes retirees whose annuity is suspended because of receipt of OWCP benefits.

- B. Effect of Refund** As in a normal refund situation, the person forfeits all annuity rights based on the service covered by the refund including survivor benefits **unless** he or she is later reemployed in a position subject to CSRS or FERS.

CAUTION: Under OWCP, survivor benefits are payable only if the death is caused by a job-related injury or disease. Therefore, if the former employee received a refund and his or her death is not caused by a job-related injury, no survivor benefits will be payable under either CSRS or OWCP.

- C. Procedure** To apply for a refund, follow the instructions in section 32A1.1-7.

Section 32A1.1-9 Voluntary Contributions

A. General Rule

A current or separated employee may withdraw his or her voluntary contributions at any time prior to retirement (or at the time of retirement) instead of using the voluntary contributions to purchase additional annuity benefits.

B. Procedure

1. The applicant must complete and file a Standard Form 2802. The employee must state in item 7 "I want only my voluntary contributions to be refunded to me" or similar words expressing this intent.
 2. Spousal notification is not required for a voluntary contributions refund.
 3. If the applicant is currently employed, the SF 2802 is filed with the employing agency. The employing agency must certify the employee's cumulative basic pay earned at that agency to OPM when it forwards the SF 2802 to OPM. OPM will not pay the refund without this information so that it can determine whether the employee's contributions exceed the 10-percent maximum limit. (See Chapter 31, Voluntary Contributions.)
 4. A separated employee files his or her SF 2802 directly with OPM.
-

Section 32A1.1-10 Partial Refunds

A. "One-Out-of-Two" Requirement

An employee who:

- Was not employed under CSRS for at least 1 year within the 2-year period immediately preceding his or her last separation; and
- Has an annuity right based on a prior separation (that is, had 5 or more years of civilian service and met the 1-out-of-2 requirement upon the prior separation),

may receive a refund covering only the service that does not meet the "1-out-of-2" requirement without losing any annuity right based on a prior separation.

NOTE: The former employee must specifically request a partial refund on the SF 2802, Application for Refund of Retirement Deductions.

If the individual fails to make such a statement, OPM pays the former employee the entire lump-sum credit. This results in the forfeiture of all annuity rights.

B. Special Group Employees

Special group employees (for example, law enforcement officers, firefighters) who qualify for an annuity but cannot receive the special annuity computation, are not eligible to receive a refund of the additional retirement deductions that are withheld from the pay of those groups. (See Chapter 46 for additional information on the retirement provisions that apply to special group employees.)

C. Deposits for Military Service

Employees who make a complete or partial deposit for military service are not eligible for a refund of the payment(s) properly accepted by the employing agency unless:

- They separate and meet the requirements for a refund of all contributions;
- They retire after making only a partial deposit;
- They are receiving military retired service pay and decide against waiving it to combine military and civilian service at the time of retirement; or

Section 32A1.1-10 Partial Refunds (Cont.)**C. Deposits for
Military Service
(Cont.)**

- They receive a refund of the deposit as a part of an alternative annuity lump-sum payment at the time of retirement.

NOTE: If payments are incorrectly accepted by an employing agency (such as payments for more than is correctly due), see Chapter 23, Service Credit Payments for Post-1956 Military Service, for instructions on how to adjust the account.

**D. Excess
Contributions
When Annuity at
80 Percent
Maximum**

Employees who have more service 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. (See Chapter 31.)

Section 32A1.1-11 Leaving the Lump-Sum Credit in the Fund

A. General Rules

1. Any employee who is separated from service may leave his or her lump-sum credit in the Fund.
 2. Leaving the lump-sum credit in the Fund does not preclude a refund at a later date, provided application is filed with OPM at least 31 days before the employee becomes eligible for an annuity.
 3. If the former employee dies before becoming eligible for and filing for an annuity, the lump-sum credit is payable as a death benefit.
-

B. Advantages of Not Taking Refund

1. If the employee has completed at least 5 years of civilian service before a separation from covered service that meets the "1-out-of-2" requirement, he or she has entitlement to a deferred annuity at age 62 that may exceed the value of the lump-sum credit.
 2. Leaving the lump-sum credit in the Fund avoids the necessity of making a redeposit (with market interest) to receive credit for the service if the employee is reemployed by the government.
 3. Upon attaining age 62 and applying for a deferred annuity, the former employee may provide a survivor annuity for his or her spouse or former spouse(s). If there is no qualifying court order providing a benefit to a former spouse(s), the former employee may receive the lump-sum credit under the alternative annuity election. (For eligibility rules for the alternative annuity, see Chapter 53.)
-

C. Advantages of Taking Refund

1. If the employee has less than 5 years of civilian service and does not contemplate returning to Federal service, there are no future benefits.
 2. Employees may be able to invest the money in ways that will exceed the value of any deferred annuity at age 62.
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Subchapter 32B FERS

Section 32B1.1-1 Overview

A. Overview

Subchapter 32B outlines the rules and policies affecting refunds to former employees who separate under FERS.

In many respects, the rules and policies are the same as under CSRS. This subchapter explains how FERS differs from CSRS. It refers readers to the CSRS rules that apply, or gives the FERS rule if it is different.

B. Organization of Subchapter

The FERS subchapter has nine sections.

Section	Name of Section	Page
32B1.1-1	Overview	22
32B1.1-2	Lump-Sum Credit	23
32B1.1-3	Payment of Refund	24
32B1.1-4	Employee Eligibility Requirements	28
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32B1.1-9	Leaving the Lump-Sum Credit in the Fund	34

C. Statement of Authority

This subchapter is based on the laws and regulations cited below.

- United States Code: 5 U.S.C. 8424
 - Code of Federal Regulations: 5 CFR Part 843, Subpart B
-

Section 32B1.1-2 Lump-Sum Credit

A. Definition

A lump-sum credit under FERS is defined in 5 U.S.C. 8401(19) as the "unrefunded amount" of an employee's contributions to the Fund. The lump-sum credit consists of:

- FERS basic annuity deductions from pay;
- CSRS Interim plan deductions;
- CSRS Offset deductions;
- Any civilian deposit or deposit for post-1956 military service;
- The balance after the return of excess deductions (civilian and military);
- Interest (See section 32B1.1-3H.)

B. Interest Accrual

In general, a FERS lump-sum credit earns interest at the market rate. (See section 32B1.1-3H.) For a transferee with a CSRS annuity component, under CSRS rules, no interest is payable on the CSRS portion of the lump-sum (section 32A1.1-3D). Interest does accrue on the FERS portion under FERS rules.

C. Payment of Lump-Sum Credit

The lump-sum credit is paid to:

1. A separated employee or an employee who is no longer covered by FERS who meets the requirements in section 32A1.1-4.
 2. The beneficiaries of a deceased employee, former employee, annuitant, or survivor annuitant, if the full amount of retirement contributions had not been paid out in the form of annuity (or survivor annuity) at the time of death.
 3. Payment of the lump-sum credit is made to the beneficiaries of a deceased employee, former employee, or annuitant only if there is no survivor annuitant.
-

Section 32B1.1-3 Payment of Refund

A. Amount of Refund

1. A FERS refund includes payment of all:
 - FERS basic annuity deductions from pay;
 - CSRS Interim plan deductions;
 - CSRS Offset deductions;
 - Civilian deposit if any;
 - Military service credit deposit if any; and
 - Interest. (See section 32B1.1-3H.)
2. When an employee who has transferred to FERS has future entitlement to an annuity with a CSRS component and requests a refund, OPM also pays all CSRS money to the person's credit, including voluntary contributions made before the employee transferred to FERS. A CSRS component is that portion of FERS annuity computed under CSRS rules. A benefit will have a CSRS component if the employee: (1) elected to transfer to FERS; and (2) had 5 or more years of creditable civilian service, not counting CSRS Offset or Interim service, performed as of the date of the employee's transfer to FERS.

B. Effect of Refund of FERS Deductions

Payment of a refund of FERS deductions permanently voids any retirement rights based on the period of FERS service that the refund covers. This means that an employee **cannot** repay the money in the future to reestablish credit for the refunded FERS service.

C. Effect of Refund of Prior Deposit/Redeposit

1. Payment of a refund of a prior FERS deposit (for nondeduction service performed prior to January 1, 1989) is treated as a refund of FERS deductions and permanently voids any retirement rights that are based on the period(s) of service covered by the payment.

Example: Susie held temporary appointments from February 1, 1967 through November 30, 1967 and May 1, 1969 through January 31, 1970. As a temporary employee, she was not covered by retirement. On April 1, 1990, she received a career-conditional appointment and was automatically covered by FERS. She paid a deposit for the two periods of temporary service. This service was credited under FERS rules.

Section 32B1.1-3 Payment of Refund (Cont.)**C. Effect of Refund of Prior Deposit/Redeposit (Cont.)**

On February 28, 1995, Susie resigned. She applied for and received a refund of the money to her credit in the retirement fund. Since all of Susie's service is treated under FERS rules, the refund permanently voids the retirement rights she otherwise would have had covering all three periods of service.

2. The refund of a redeposit covering service performed under CSRS rules, but now treated under FERS rules, is treated as a refund of FERS deductions and permanently voids any retirement rights that are based on the period(s) of service covered by the payment.

Example: Joe had CSRS-covered service from November 1, 1972 until September 30, 1977. He received a refund of his CSRS deductions. On June 1, 1992, Joe returned to Federal Service. Since he did not have 5 years of creditable civilian service, he was automatically covered by FERS. He made payment under FERS rules to receive credit for his period of refunded service. On April 30, 1995, Joe resigned. He applied for a refund of the money to his credit in the retirement fund. Since all of his service is being treated under FERS rules, payment of the refund voids his retirement rights based on both periods of his service.

D. Refund of Prior CSRS Deductions

Payment of a refund of CSRS deductions covering service included in a CSRS annuity component is made under CSRS rules. (See section 32A1.1-3F.)

Section 32B1.1-3 Payment of Refund (Cont.)

E. Effect of FERS Refund Upon Reemployment/Retirement

1. FERS service covered by a refund:
 - Cannot be paid back;
 - Is not creditable for eligibility for an annuity (that is, the length of service requirement); and
 - Cannot be used for annuity computation purposes (that is, high-3 average salary and length of service computations).
2. Refunded FERS service is creditable for leave, RIF, and Thrift Savings Plan vesting. This means that an employee may have one SCD (Service Computation Date) for retirement and a different SCD for leave, etc.
3. When an employee is otherwise eligible for an annuity, refunded CSRS component service is creditable for eligibility for an annuity. However, it cannot be used for annuity computation purposes, other than the high-3 average salary computation, unless the individual redeposits the refund covering CSRS component service plus interest. A refund of CSRS component service that is paid after an employee transfers to FERS cannot be deemed redeposited in an alternative annuity election if the employee is entitled only to a deferred annuity. (See Chapter 21 and Chapter 53.)

F. Option for Transferees to FERS

If the former employee transferred to FERS with a CSRS annuity component, the former employee may request a refund of CSRS contributions only. The former employee must attach a statement to the FERS refund application specifying this request.

G. Application

An applicant for a refund must complete and submit to OPM:

- An SF 3106, Application for Refund of Retirement Deductions.

NOTE: If the CSRS refund application (SF 8202) is used in error, it will delay payment of the refund. There are significant differences between FERS and CSRS refunds. An employee must use the correct application to insure that he or she is making an informed decision to apply for the refund.

- An SF 3106A, Current/Former Spouse's Notification of Application for Refund of Retirement Deductions, when required.

Section 32B1.1-3 Payment of Refund (Cont.)**G. Application (Cont.)**

NOTE: The SF 3106A is attached to the SF 3106 as a tear-off sheet. It also is available separately for employees who need more than one notification form.

IMPORTANT: The SF 3106A must be given to the current spouse and all former spouses to whom an employee with at least 18 months creditable civilian service was married for at least 9 months.

H. Interest Payable

1. No interest is paid on a refund of FERS contributions:

- If the service covered by the contributions totals 1 year or less in the aggregate; or
- For a fractional part of a month.

NOTE: No interest is payable on prior CSRS contributions if the covered service would be included in a CSRS annuity component.

2. Interest on refunded FERS contributions is compounded annually through the last day of the month preceding the date OPM makes payment.

3. The interest rate is determined annually by the U.S. Department of the Treasury based on the average yield of new investments purchased by the Fund during the previous fiscal year.

4. The variable annual interest rates are as follows:

Variable Interest Rates			
Year	Interest Rate	Year	Interest Rate
1984	11.0%	1991	8.625%
1985	13.0%	1992	8.125%
1986	11.125%	1993	7.125%
1987	9.0%	1994	6.25%
1988	8.375%	1995	7.0%
1989	9.125%	1996	6.875%
1990	8.75%	> 1997	6.875% <
		All future periods	To be determined by the Department of the Treasury

Section 32B1.1-3 Payment of Refund (Cont.)

- I. Effect of Government Claims** The CSRS provisions concerning the effect of debts due the United States also apply to FERS. (See Chapter 4.)
-

Section 32B1.1-4 Employee Eligibility Requirements

- | | |
|--------------------------------|---|
| A. Primary Requirements | The primary eligibility requirements listed under CSRS Section 32A1.1-4A apply entirely under FERS. |
|--------------------------------|---|
-

Section 32B1.1-5 Spouse/Former Spouse Notification

A. Spousal Notification Requirements

The FERS spouse/former spouse notification requirements differ significantly from the CSRS requirements.

The following decision table applies to all employees with civilian service subject to FERS deductions who are applying for a refund.

No.	Marital Status	Creditable Civilian Service	Additional Requirements
1	Never married	Any amount	None
2	Currently unmarried with living former spouse: A. Divorced but married less than 9 months	At least 18 months	None
	B. Divorced but married 9 months or more		Notification required
3	Currently married with or without living former spouse	Any amount	Notification required

B. Date of Divorce Immaterial

Under FERS, the date of the divorce is immaterial. The notification requirement applies even though the marriage may have occurred before the employee's FERS coverage or Federal employment began.

C. Creditable Civilian Service

Agencies are responsible for advising employees how much creditable civilian service they have. When determining if the employee has 18 months of creditable civilian service, do not include:

1. Prior refunded FERS service, since refunded FERS service is not creditable under FERS; or
2. Nondeduction service performed on or after January 1, 1989, since nondeduction service performed after January 1, 1989 is not creditable under FERS.

Section 32B1.1-6 Effect of Court Orders

- A. Applicable CSRS Provision** With one exception, the effects of court orders under CSRS and FERS are identical. The exception is noted below.
-
- B. Exception** The CSRS requirement that the divorce or court-approved separation agreement occur on or after May 7, 1985, does not apply under FERS.
-
- C. Transferees: Qualifying Court Order** For an employee who transferred to FERS from a CSRS-covered position, a court order that references CSRS benefits is honored.
- EXAMPLE: Jane is awarded one-half of John's CSRS annuity.
- The order is generally applied to the entire annuity.
-

Section 32B1.1-7 Application Procedures

**A. Employee
Responsibility**

1. The employee must file an SF 3106, Application for a Refund of Retirement Deductions (and an SF 3106A, when necessary).
2. Filing the application:
 - a. If the employee has been separated 30 days or less, the application must be filed with the agency.
 - b. If the employee has been separated more than 30 days, he or she sends the application directly to OPM at the following address:

**Office of Personnel Management
Federal Employees Retirement System
Retirement Operations Center
ATTN: REFUNDS
Boyers, PA 16017**

IMPORTANT: If the employee wants a refund of CSRS contributions only, he or she must attach a signed statement to that effect to the SF 3106.

**B. Agency
Responsibility**

1. The agency must:
 - Provide the employee with an SF 3106 and additional SF 3106A's if needed;
 - Note the date the SF 3106 was received and review the application for completeness, including compliance with spousal notification requirements;
 - Send the employee's Individual Retirement Record (SF 3100), with the refund application attached, and all SF 3102's (FERS Designation of Beneficiary) to OPM;
 - Notify OPM if the employee owes a debt to the United States or attach a Request for Recovery of Debt Due the United States (SF 2805) for debts to be recovered from the employee's lump-sum credit (see Chapter 4); and

Section 32B1.1-7 Application Procedures (Cont.)**B. Agency
Responsibility
(Cont.)**

- If the SF 3100 was already sent to OPM, send the refund application promptly to OPM with a notation stating the date and number of the Register of Separations and Transfers (SF 3103) with which the record was transmitted.

 - 2. A copy of an Agency Checklist for a FERS Refund Application (RI 95-2) is contained in Subchapter 32C, Job Aids and Forms. The checklist is an aid to help ensure that refund applications are completed correctly so that OPM can make payments promptly when it receives an application package. Forward completed checklists to OPM with the employee's records.
-

Section 32B1.1-8 Miscellaneous Provisions

- A. Applicable CSRS Provision** Section 32A1.1-9 on voluntary contributions applies entirely under FERS. With two exceptions, the provisions of Sections 32A1.1-8 (Employees and Annuitants Who Are Receiving Workers' Compensation (OWCP)) and 32A1.1-10 (Partial Refunds) also apply to FERS.
-
- B. Exception: Cases Involving OWCP** In the event of a FERS refund in a workers' compensation case, all annuity rights based on service covered by the refund, including survivor benefits, are forfeited. The forfeiture stands even if the individual is later reemployed, since a FERS refund cannot be repaid.
-
- C. Exception: "One-Out-Of-Two" Requirement** There is no "1-out-of-2" requirement (defined in section 32A1.10A) under FERS. Therefore, the ability to obtain a partial refund because of having less than "1-out-of-2" years of service does not apply under FERS.
-

Section 32B1.1-9 Leaving the Lump-Sum Credit in the Fund

A. General Rules

- Any employee who is separated from Federal service may leave his or her contributions in the Fund.
- Leaving the lump-sum credit in the Fund does not preclude a refund at a later date, provided that an application is filed with OPM at least 31 days before the employee becomes eligible for an annuity.
- If the former employee dies before filing an application for a refund or receipt of a deferred annuity, and there is no survivor annuity payable, the lump-sum credit is payable as a death benefit.

B. Advantages of Not Taking Refund

- If a refund is not taken, the lump-sum credit continues to accrue interest at the market interest rate.
 - If the employee has at least 5 years of creditable civilian service, he or she has entitlement to a deferred annuity at age 62 that should generally exceed the value of the lump sum.
 - If the employee has at least 5 years of creditable civilian service and 10 or more years of total service:
 1. He or she has entitlement to a deferred annuity at the Minimum Retirement Age.
 2. If the employee is married at the date of separation from service, survivor benefits would be payable to that spouse should the employee die before receipt of his or her deferred annuity.
 - Upon applying for the deferred annuity, the former employee may elect to provide a survivor annuity to his or her current spouse or any former spouse.
 - Since an employee cannot repay a refund FERS deductions to reestablish credit for FERS service covered by the refund, not taking the refund allows the service to be used towards any retirement or survivor benefits that may be payable in the future.
-

C. Advantages of Taking the Refund

- If the employee has less than 5 years of civilian service and does not contemplate returning to Federal service, then there are no future benefits.
-

Subchapter 32C Job Aids**Section 32C1.1-1 Copies of Job Aids**

Job Aid	Description
<ul style="list-style-type: none">• Information for Employees: Notifications to Current and Former Spouses When You Apply for a Refund of Retirement Deductions	This job aid summarizes the spousal notification requirements pertaining to individuals requesting CSRS or FERS refunds.
<ul style="list-style-type: none">• Agency Checklist for a CSRS Refund Application (RI 36-48)	This checklist should be used by personnel and payroll offices to ensure that an application for a CSRS refund is properly completed.
<ul style="list-style-type: none">• Agency Checklist for a FERS Refund Application (RI 95-2)	This checklist should be used by personnel and payroll offices to ensure that an application for a FERS refund is properly completed.

Section 32C1.1-1 Copies of Job Aids**Information for Employees: Required Notifications to Current Spouses and Former Spouses When You Apply for a Refund of Retirement Deductions**

The spousal notification requirements described below apply to you if you are requesting a refund of your retirement deductions under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). If you are currently married or have a living former spouse, you are required by law to comply with the spousal notification requirements before the Office of Personnel Management can pay your refund. The requirements apply regardless of the amount of money involved in the refund or, in the case of a former spouse, the fact that the spouse waived rights to retirement benefits under the terms of a divorce decree.

CSRS Employees--Requirements

You must always notify a **current spouse** that you are applying for a refund of CSRS retirement deductions. Also, you must notify a **former spouse** if (1) you were married to that person for at least 9 months, (2) you performed at least 18 months of service that was subject to retirement deductions, and (3) you were divorced from that former spouse after May 1, 1985.

FERS Employees--Requirements

You must always notify a **current spouse** that you are applying for a refund of FERS retirement deductions. Also, you must notify a **former spouse** if (1) you performed at least 18 months of service that was creditable under FERS and (2) you were married to the spouse for a total of at least 9 months.

In FERS, it does not matter when the divorce occurred--the notification requirement applies even though the divorce may have occurred before you became a Federal employee or became covered by FERS.

When determining if you have 18 months of creditable civilian service do not include nondeduction service performed on or after January 1, 1989, or prior refunded FERS service, because service in those categories is not creditable under FERS.

Notification Procedures--CSRS and FERS

If you are covered by CSRS, your current spouse and any former spouse must each complete the SF 2802B, which is attached to the CSRS refund application. If you are covered by FERS, your current spouse and any former spouse must each complete SF 3106A, which is attached to the FERS refund application, to show that they have been notified that you have applied for a refund.

Section 32C1.1-1 Copies of Job Aids (Cont.)**Information for Employees: Required Notifications to Current Spouses and Former Spouses When You Apply for a Refund of Retirement Deductions (Cont.)**

If your current or former spouse refuses to acknowledge the notification or you are otherwise unable to obtain the acknowledgement, you must submit one of the following to OPM:

- a. Affidavits signed by two individuals who witnessed your personal attempt to notify the current or former spouse. The witnesses must attest that they saw you give or try to give the notification to your current or former spouse to whom your intent should have been clear.
- b. The current mailing address of the current or former spouse. OPM will attempt to notify the person by certified mail, return receipt requested. OPM will not pay the refund until it receives the signed receipt form. If the notice is undeliverable at the address you gave, OPM will not pay the refund unless you show that the notification requirements should be waived. (See next paragraph.)

If you do not know the current whereabouts of a current or former spouse, OPM may waive the notification requirements. OPM may grant you a waiver if you provide:

- a. A determination by a court or administrative agency empowered to make such determinations that the person is missing; or
- b. Notarized statements by yourself and two other persons (one of whom is unrelated to you) stating that the person's whereabouts are unknown and detailing efforts to locate the person.

Falsely denying the existence of a current or former spouse on an application for a refund, or forging the current or former spouse's signature on the acknowledgement form, is a criminal offense punishable by a fine of not more than \$10,000 or imprisonment of not more than 5 years, or both.

Section 32C1.1-1 Copies of Job Aids (Cont.)

AGENCY CHECKLIST FOR A CSRS REFUND APPLICATION

FOR USE **ONLY** WITH *CIVIL SERVICE RETIREMENT SYSTEM (CSRS)* APPLICATIONS

A. Name of Applicant: _____
 Date of Birth: _____ SSN: _____

B. **PERSONNEL and PAYROLL OFFICES:** This checklist identifies the forms that must be submitted to the Office of Personnel Management (OPM) with a CSRS Application for Refund of Retirement Deductions, SF 2802 (revised January 1991). The checklist also incorporates questions that will improve timeliness of processing applications for CSRS refunds. When using locally reproduced forms to document refund claims, it is imperative that forms that are printed front-to-back in OPM issuances also be printed front-to-back to avoid processing delays that occur when OPM receives only part of the form. This is particularly true of SF 2802B (see below), which helps document the rights of spouses and former spouses with respect to refund claims. (SF 2802B replaced OPM Form 1537, a local reproduction form dated January 1987.)

Send this checklist to OPM along with the individual's records.

SF 2802, Application for Refund of Retirement Deductions (CSRS)			
BLOCK NUMBER	REQUIREMENT	YES	NO
Block 7: Has all civilian and military service for the United States Government and/or the Government of the District of Columbia been listed?	Required in all cases.	G	G
Block 8: Are questions concerning further employment answered?	Required in all cases.	G	G
Block 13: Is the tax election completed?	Required in all cases.	G	G
Blocks 14 & 15: Are the questions concerning marriage and/or divorce answered?	Required in all cases.	G	G
Block 16: Has the applicant signed the application in ink ?	Required in all cases.	G	G
Block 17: Is the address complete, clear, and without alteration?	Required in all cases.	G	G
Block titled "FOR AGENCY USE ONLY" Has the appropriate agency official signed and indicated the Agency Payroll Office Number in this block?	Required in all cases.	G	G

Section 32C1.1-1 Copies of Job Aids (Cont.)

CSRS REFUND CHECKLIST

PAGE 2 of 2

Name of Applicant: _____ SSN: _____

FORM NUMBER	DOCUMENT TITLE	REQUIREMENT	YES	NO	N/A
SF 2802B (Current version 11/87; previous versions are not usable.)	Current/Former Spouse's Notification of Application for a Refund of Retirement Deductions under CSRS	Required only when applicant is married and/or has an eligible former spouse. (See page 2 of SF 2802 for explanation.)	G	G	G
SF 2802B, Reverse Side		If applicable. (Note that OPM needs proof that the spouse/former spouse has read the reverse side of SF 2802B so it must be locally reproduced front-to-back.)	G	G	G
SF 2805 (Current version 10/88; prior version usable with OPM Form 1552.)	Request for Recovery of Debt Due the United States	If applicable.	G	G	G
SF 2806	Individual Retirement Record(s)	Required in all cases. MUST be certified by the appropriate agency payroll official.	G	G	
SF 2807 (Current version 7/80; prior versions are not usable.)	Register of Separations and Transfers	Required in all cases.	G	G	
<p><i>NOTE: The entries must agree with the calendar year and cumulative deductions on SF 2806.</i> MAKE SURE THE CORRECT DEDUCTION PERCENTAGES ARE USED: For most CSRS employees, the deduction is 7%. For qualified House, Senate, firefighter or law enforcement employees, the deduction is 7.5%. For regular employees covered by CSRS OFFSET, the deduction was 1.3% through 1986, 1.8% in 1987, 1.44% in 1988-89, and 1.3% thereafter. (Caution: If a CSRS Offset employee's accumulated wages in a calendar year exceed the Social Security maximum taxable wage base, the CSRS deduction increases to the full rate applicable to CSRS-only employees for the remainder of the year.)</p>					

*****PERSONNEL OFFICE REVIEWER*****

PERSONNEL SPECIALIST: _____

TELEPHONE NUMBER: () _____

*****PAYROLL OFFICE REVIEWER*****

PAYROLL OFFICE CONTACT: _____

TELEPHONE NUMBER: () _____

Section 32C1.1-1 Copies of Job Aids (Cont.)

AGENCY CHECKLIST FOR A FERS REFUND APPLICATION
FOR USE **ONLY** WITH *FEDERAL EMPLOYEES RETIREMENT SYSTEM (FERS)* APPLICATIONS

A. Name of Applicant: _____				
Date of Birth: _____ SSN: _____				
<p>B. PERSONNEL and PAYROLL OFFICES: This checklist identifies the forms that must be submitted to the Office of Personnel Management (OPM) with a FERS Application for Refund of Retirement Deductions, Standard Form 3106. The current version of Standard Form 3106 is dated March 1996; previous versions are NOT usable. The checklist also incorporates questions that will improve timeliness of processing applications for FERS refunds.</p> <p style="text-align: center;">Send this checklist to OPM along with the individual's records.</p>				
STANDARD FORM 3106, Application for Refund of Retirement Deductions (FERS)				
BLOCK NUMBER	REQUIREMENT	YES	NO	N/A
Block 5: Is the address complete, clear, and without alteration?	Required in all cases.	G	G	
Block 6: Has all civilian and military service for the United States Government been listed?	Required in all cases.	G	G	
Block 7: Has the applicant signed the application in ink ?	Required in all cases.	G	G	
Block 8: Are questions concerning further employment answered?	Required in all cases.	G	G	
Blocks 9, 10 & 11: If answer to block 7 is "Yes," then have blocks 13-16 been completed?	If applicable.	G	G	G
Block 12: Is the tax election completed?	Required in all cases.	G	G	
Blocks 13 & 14: Are the questions concerning marriage and/or divorce answered?	Required in all cases.	G	G	
<i>NOTE: If the answer to either Block 9 or 10 is "Yes," then a signed SF 3106A Must be attached (see below).</i>				
Block titled "FOR AGENCY USE ONLY" Has the appropriate agency official signed and indicated the Agency Payroll Office Number in this block?	Required in all cases.	G	G	
Block titled "CERTIFICATION BY FINANCIAL INSTITUTION OR RETIREMENT PLAN" Has financial institution completed ALL blocks, including account number, address and phone number? Is it signed by a certifying representative	If Applicable	G	G	G

Refunds
Chapter 32

Section 32C1.1-1 Copies of Job Aids (Cont.)**FERS REFUND CHECKLIST**

PAGE 2 of 2

Name of Applicant: _____ SSN: _____

FORM NUMBER	DOCUMENT TITLE	REQUIREMENT	YES	NO	N/A
SF 3106A If the answer to either Block 13 or 14 of SF 3106 is "Yes," then a signed SF 3106A must be attached.	Current/Former Spouse's Notification of Application for a Refund of Retirement Deductions under FERS	Required when applicant is married. Also required when applicant has a total of at least 18 months of creditable civilian service, and has a former spouse to whom he or she was married for a total of at least 9 months.	G	G	G
SF 3106A, Reverse Side If applicant is divorced or legally separated , is the information concerning court orders on the reverse side of the current/former spouse notification completed?		If applicable.	G	G	G
SF 2805 (Current version 10/88; prior version usable with OPM Form 1552.)	Request for Recovery of Debt Due the United States	If applicable.	G	G	G
SF 3100 and/or Redesignated SF 2806	Individual Retirement Record(s)	Required in all cases. MUST be certified by the appropriate agency payroll official.	G	G	
SF 3103	Register of Separations and Transfers (FERS)	Required in all cases.	G	G	
<p><i>NOTE: The entries must agree with the calendar year and cumulative deductions on SF 3100 or redesignated SF 2806.</i></p> <p>MAKE SURE THE CORRECT DEDUCTION PERCENTAGES ARE USED: For regular employees covered by FERS the correct deduction was 1.3% in 1987, .94% in 1988-89, and .8% thereafter. For House and Senate employees, firefighters, law enforcement officers, and air traffic controllers covered by FERS, the correct deduction was 1.8% in 1987, 1.44% in 1989, and 1.3% thereafter.</p>					

*****PERSONNEL OFFICE REVIEWER*****

PERSONNEL SPECIALIST: _____

TELEPHONE NUMBER: () _____

*****PAYROLL OFFICE REVIEWER*****

PAYROLL OFFICE CONTACT: _____

TELEPHONE NUMBER: () _____