

BAL 10 – 105 - Attachment

Sample Calculations

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Example 1: CSRS Law Enforcement Officer/Firefighter/Nuclear Materials Courier

BACKGROUND INFORMATION:

An employee in a primary firefighter position covered under the provisions of 5 U.S.C. § 8336(c) retires on disability at age 48 with a high-3 average pay of \$85,000. He has performed service as follows:

- 2 years active duty military service (deposit paid in full);
- 3 years covered civilian service (clerk typist); and
- 15 years of firefighter service that qualifies for retirement under 5 U.S.C. § 8336(c).
- 3 months credit for unused sick leave balance of 520 hours

Disability Annuity Computation

- Earned Annuity (Based on 20 years of creditable service, plus 3 months (.25 years) sick leave credit, and the high-3 average pay):
 - $2.5\% \times 15.25 \text{ (years)} \times \$85,000 =$ \$32,406.25, plus
 - $2.0\% \times 5 \text{ (years)} \times \$85,000 =$ \$8,500, equals
 - Basic Annuity: \$40,906.25

- Guaranteed Minimum Disability Benefit (the lesser of):
 - 40% Benefit:
 - Basic Annuity equals: $40\% \times \$85,000 =$ \$34,000; or

 - Projected to Age 60 Benefit: (Includes 12 years of credit for service projected to age 60, credited as firefighter service because the employee was a firefighter when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.5\% \times 5 \text{ (years)} \times \$85,000 =$ \$6,375, plus
 - $1.75\% \times 5 \text{ (years)} \times \$85,000 =$ \$7,437.50, plus
 - $2.0\% \times 10.25 \text{ (years)} \times \$85,000 =$ \$17,425, plus
 - $2.0\% \times 12 \text{ (years)} \times \$85,000 =$ \$20,400, equals
 - Basic Annuity: \$51,637.50

In this example, the guaranteed minimum benefit would be based on 40 percent of the employee's high-3 average pay because that amount is less than the amount computed in the projected to age 60 guaranteed minimum computation. The annuity payable would be based on the earned annuity computation because that amount is greater than the guaranteed minimum benefit.

Note that the unused sick leave credit was applied to the 2.5 percent annuity accrual rate in the earned annuity computation because the employee was in a firefighter position at the time of separation for retirement and the total time credited at the 2.5 percent annuity accrual rate did not exceed 20 years. Had the employee been in the clerk typist position at retirement (assuming the firefighter service was performed before the clerk typist service), the sick leave credit would have been applied to the 2.0 percent annuity accrual rate.

Also note that while the 2.5 percent annuity accrual rate from 5 U.S.C. § 8339(d) is used in the earned annuity computation, that accrual rate cannot be used in the projected to age 60 calculation because 5 U.S.C. § 8339(g)(2) does not authorize the use of the annuity accrual rates from 5 U.S.C. § 8339(d) for firefighters, law enforcement officers, and nuclear materials couriers.

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the earned annuity because the earned annuity exceeds the guaranteed minimum benefit.

$$\text{Survivor Annuity: } 55\% \times \$40,906.25 = \$22,498.44 \text{ per year}$$

Example 2: CSRS Member of the Capitol Police (computation under 5 U.S.C. § 8339(b))

BACKGROUND INFORMATION:

A member of the Capitol Police retires on disability at age 49 with a high-3 average pay of \$75,000. He has performed service as follows:

- 10 years covered service as a program analyst in the executive branch
- 14 years covered service as a member of the Capitol Police.

The employee has retirement deductions in the fund covering his last 5 years of service. The employee used all available sick leave before retirement.

Disability Annuity Computation

- Earned Annuity (Based on 24 years of creditable service and the high-3 average pay):
 - $2.5\% \times 14 \text{ (years)} \times \$75,000 = \$26,250$, plus
 - $2.0\% \times 10 \text{ (years)} \times \$75,000 = \$15,000$, equals
 - Basic Annuity: $\$41,250$
- Guaranteed Minimum Disability Benefit (the lesser of):
 - 40% Benefit:
 - Basic Annuity equals: $40\% \times \$75,000 = \$30,000$; or
 - Projected to Age 60 Benefit: (Includes 11 years of credit for service projected to age 60, credited as member of the Capitol Police service because the employee was a member of the Capitol Police when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $2.5\% \times 14 \text{ (years)} \times \$75,000 = \$26,250$, plus
 - $2.5\% \times 11 \text{ (years)} \times \$75,000 = \$20,625$, plus
 - $2.0\% \times 10 \text{ (years)} \times \$75,000 = \$15,000$, equals
 - Basic Annuity: $\$61,875$

In this example, the guaranteed minimum benefit would be based on the 40 percent guaranteed minimum computation because that amount is less than the amount computed in the projected to age 60 guaranteed minimum computation. The annuity payable would be based on the earned benefit computation because that amount is greater than the guaranteed minimum benefit.

The 1.5 percent and the 1.75 percent annuity accrual rates from 5 U.S.C. § 8339(a) were not used in the earned annuity computation in this example because 10 years of the service that applied to the 2.5 percent annuity accrual rate replaced the 5 years of service that would normally have been applied to the 1.5 percent annuity accrual rate and the 5 years of service that would normally have been applied to the 1.75 percent annuity accrual rate.

All of the additional 11 years of credit used in the projected to age 60 guaranteed minimum computation is subject to the 2.5 percent annuity accrual rate because that time is credited as continuation of service in the position occupied at retirement and because there is no limitation to the amount of service that can be subject to the 2.5 percent annuity accrual rate under 5 U.S.C. § 8339(b).

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the earned benefit because that benefit is greater than the guaranteed minimum benefit.

$$\text{Survivor Annuity: } 55\% \times \$41,250 = \$22,687.50 \text{ per year}$$

Example 3: CSRS Former Member of the Capitol Police (computation under 5 U.S.C. § 8339(b))

BACKGROUND INFORMATION:

A procurement analyst in the executive branch retires on disability at age 49 with a high-3 average pay of \$75,000. He has performed service as follows:

- 4 years active duty military service (deposit paid in full);
- 5 years service as a member of the Capitol Police; and
- 10 years service as a procurement analyst.

The employee has deductions in the fund covering his last 5 years of service. The employee used all available sick leave before retirement.

Disability Annuity Computation

- Earned Annuity (Based on 19 years of creditable service and the high-3 average pay):
 - $2.5\% \times 9 \text{ (years)} \times \$75,000 = \$16,875$, plus
 - $1.75\% \times 1 \text{ (year)} \times \$75,000 = \$1,312.50$, plus
 - $2.0\% \times 9 \text{ (years)} \times \$75,000 = \$13,500$, equals
 - Basic Annuity: $\$31,687.50$.
- Guaranteed Minimum Disability Benefit (the lesser of):
 - 40% Benefit:
 - Basic Annuity equals: $40\% \times \$75,000 = \$30,000$; or
 - Projected to Age 60 Benefit: (Includes 11 years of credit for service projected to age 60, credited as procurement specialist service because the employee was a procurement specialist when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $2.5\% \times 9 \text{ (years)} \times \$75,000 = \$16,875$, plus
 - $1.75\% \times 1 \text{ (year)} \times \$75,000 = \$1,312.50$, plus
 - $2.0\% \times 9 \text{ (years)} \times \$75,000 = \$13,500$, plus
 - $2.0\% \times 11 \text{ (years)} \times \$75,000 = \$16,500$, equals
 - Basic Annuity: $\$48,187.50$

In this example, the guaranteed minimum benefit would be based on 40 percent of the employee's high-3 average pay because that amount is less than the amount computed in the projected to age 60 guaranteed minimum computation. The annuity payable would be based on the earned annuity computation because that amount is greater than the guaranteed minimum benefit.

The military service in this example is combined with the service as a member of the Capitol Police and applied to the 2.5 percent annuity accrual rate in the earned benefit and in the projected to age 62 guaranteed minimum benefit because the calculation is based on 5 U.S.C. § 8339(b) for congressional employees. The 9 years of service used at the 2.5 percent annuity accrual rate replaces the 5 years of service that would normally be applied to the 1.5 percent accrual rate in 5 U.S.C § 8339(a), and 4 years of the 5 years that would normally apply to the 1.75 percent accrual rate in 5 U.S.C § 8339(a).

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the earned annuity because the earned annuity is greater than the guaranteed minimum benefit.

$$\text{Survivor Annuity: } 55\% \times \$31,687.50 = \$17,428.13 \text{ per year}$$

Example 4: CSRS Former Member of the Capitol Police (computation under 5 U.S.C. § 8339(q))

BACKGROUND INFORMATION:

A procurement analyst in the executive branch retires on disability at age 49 with a high-3 average pay of \$75,000. He has performed service as follows:

- 3 years active duty military service (deposit paid in full);
- 4 years covered CSRS service as a member of the Capitol Police; and
- 13 years covered CSRS service as a procurement analyst.

The employee has deductions in the fund covering his last 5 years of service. The employee used all available sick leave before retirement.

Disability Annuity Computation

- Earned Annuity (Based on 20 years of creditable service and the high-3 average pay):
 - $2.5\% \times 4 \text{ (years)} \times \$75,000 = \$7,500$, plus
 - $1.5\% \times 1 \text{ (year)} \times \$75,000 = \$1,125$, plus
 - $1.75\% \times 5 \text{ (years)} \times \$75,000 = \$6,562.50$, plus
 - $2.0\% \times 10 \text{ (years)} \times \$75,000 = \$15,000$, equals
 - Basic Annuity: $\$30,187.50$
- Guaranteed Minimum Disability Benefit (the lesser of):
 - 40% Benefit:
 - Basic Annuity equals: $40\% \times \$75,000 = \$30,000$; or
 - Projected to Age 60 Benefit: (Includes 11 years of credit for service projected to age 60, credited as procurement specialist service because the employee was a procurement specialist when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $2.5\% \times 4 \text{ (years)} \times \$75,000 = \$7,500$, plus
 - $1.5\% \times 1 \text{ (year)} \times \$75,000 = \$1,125$, plus
 - $1.75\% \times 5 \text{ (years)} \times \$75,000 = \$6,562.50$, plus
 - $2.0\% \times 10 \text{ (years)} \times \$75,000 = \$15,000$, plus
 - $2.0\% \times 11 \text{ (years)} \times \$75,000 = \$16,500$, equals
 - Basic Annuity: $\$46,687.50$

In this example, the guaranteed minimum benefit would be based on 40 percent of the employee's high-3 average pay because that amount is less than the amount computed in the projected to age 60 guaranteed minimum computation. The annuity payable would be based on the earned annuity computation because that amount is greater than the guaranteed minimum benefit.

The 4 years of service performed as a member of the Capitol Police is the only service in this example that is subject to the 2.5 percent annuity accrual rate because the 2.5 percent accrual rate under 5 U.S.C. § 8339(q) applies only to service as a member of the Capitol Police and not to military service. The remaining creditable service not subject to the 2.5 percent accrual rate is subject to the General Formula annuity accrual rates found in 5 U.S.C. § 8339(a). The 4 years of service subject to the 2.5 percent annuity accrual rate in this example replaces 4 of the 5 years that normally apply to the 1.5 percent annuity accrual rate, so only 1 year of service not subject to the 2.5 percent accrual rate will be subject to the 1.5 percent annuity accrual rate.

The annuity in this example cannot be computed under 5 U.S.C. § 8339(b) because the employee did not perform at least 5 years of service as a congressional employee (including service as a member of the Capitol Police).

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the earned annuity because the earned annuity exceeds the guaranteed minimum benefit.

$$\text{Survivor Annuity: } 55\% \times \$30,187.50 = \$16,603.13 \text{ per year}$$

Example 5: CSRS Former Member of the Capitol Police (computation under 5 U.S.C. § 8339(a))

BACKGROUND INFORMATION:

A program analyst retires on disability at age 49 with a high-3 average pay of \$75,000. He has performed service as follows:

- 2 years of service before October 1, 1982, as a claims clerk not subject to CSRS deductions (the employee did not pay a deposit of \$2,000 owed for the service)
- 6 years service as a member of the Capitol Police (CSRS deductions refunded and not repaid);
- 9 years service as a procurement analyst (CSRS deductions refunded and not repaid);
- 1 year service as a member of the Capitol Police (CSRS deductions remain in the retirement fund); and
- 3 years covered CSRS service as a program analyst in the executive branch (CSRS deductions remain in retirement fund)

The employee does not have deductions in the fund covering his last 5 years of service. The employee used all available sick leave before retirement.

Disability Annuity Computation

- Earned Annuity (Based on 6 years of creditable service and the high-3 average pay):
 - $1.5\% \times 5 \text{ (years)} \times \$75,000 = \$5,625$, plus
 - $\frac{1.75\% \times 1 \text{ (year)} \times \$75,000}{1} = \$1,312.50$, equals
 - Basic Annuity: $\$6,937.50$

- Guaranteed Minimum Disability Benefit (the lesser of):
 - 40% Benefit:
 - Basic Annuity equals: $40\% \times \$75,000 = \$30,000$; or

 - Projected to Age 60 Benefit: (Includes 11 years of credit for service projected to age 60, credited as program analyst service because the employee was a program analyst when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.5\% \times 5 \text{ (years)} \times \$75,000 = \$5,625$, plus
 - $1.75\% \times 1 \text{ (year)} \times \$75,000 = \$1,312.50$, plus
 - $1.75\% \times 4 \text{ (years)} \times \$75,000 = \$5,250$, plus
 - $\frac{2.0\% \times 7 \text{ (years)} \times \$75,000}{1} = \$10,500$, equals
 - Basic Annuity: $\$22,687.50$

In this example, the guaranteed minimum benefit would be based on the projected to age 60 guaranteed minimum computation because that amount is less than 40 percent of the high-3 average pay. The annuity payable would be based on the projected to age 60 guaranteed minimum benefit because that amount is greater than the earned benefit. Note in this example, both the earned benefit and the projected benefit would be subject to a reduction equal to 10 percent of the deposit owed for the non-deduction service performed before October 1, 1982 ($\$2000 \times 10\% = 200$) in addition to the applicable reduction for survivor annuity. That reduction for non-deduction service is applied before establishing the survivor annuity rate (see the survivor annuity calculation below).

The 2.5 percent annuity accrual rate from 5 U.S.C § 8339(b) and § 8339(q) cannot be used to compute the disability benefit in this example because retirement deductions in the retirement fund only cover the last 4 years of the employee's service. The 15 years of refunded service cannot be used in the disability computation because the employee did not pay the redeposit owed for that service. If the redeposit owed for that service had been paid, that refunded service would have been credited in the computation of the disability annuity, and the 2.5 percent annuity accrual rate from 5 U.S.C. § 8339(b) would have applied to all of the service performed as a member of the Capitol Police in the computation of the earned benefit and the projected to age 60 guaranteed minimum benefit.

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the projected to age 60 guaranteed minimum benefit (after the benefit is reduced by 10 percent of the deposit owed for the 2 years on service not subject to CSRS deductions) because that benefit exceeds the earned benefit.

$$\text{Survivor Annuity: } 55\% \times (\$22,687.50 - \$200) = \$12,368.13 \text{ per year}$$

Example 6: CSRS Member of the Supreme Court Police

BACKGROUND INFORMATION:

A member of the Supreme Court Police retires on disability at age 48 with a high-3 average pay of \$85,000. He has performed service as follows:

- 2 years active duty military service (deposit paid in full);
- 3 years covered civilian service (claims technician); and
- 15 years of covered service as a member of the Supreme Court Police.

The employee used all available sick leave before retirement.

Disability Annuity Computation

- Earned Annuity (Based on 20 years of creditable service and the high-3 average pay):
 - $2.5\% \times 15 \text{ (years)} \times \$85,000 = \$31,875$, plus
 - $\underline{2.0\% \times 5 \text{ (years)} \times \$85,000 = \$8,500}$, equals
 - Basic Annuity: $\$40,375$
- Guaranteed Minimum Disability Benefit (the lesser of):
 - 40% Benefit:
 - Basic Annuity equals: $40\% \times \$85,000 = \$34,000$; or
 - Projected to Age 60 Benefit: (Includes 12 years of credit for service projected to age 60, credited as member of the Supreme Court Police service because the employee was a member of the Supreme Court Police when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $2.5\% \times 15 \text{ (years)} \times \$85,000 = \$31,875$, plus
 - $2.5\% \times 5 \text{ (years)} \times \$85,000 = \$10,625$, plus
 - $2.0\% \times 5 \text{ (years)} \times \$85,000 = \$8,500$, plus
 - $\underline{2.0\% \times 7 \text{ (years)} \times \$85,000 = \$11,900}$, equals
 - Basic Annuity: $\$62,900$

In this example, the guaranteed minimum benefit would be based on 40 percent of the employee's high-3 average pay because that amount is less than the amount computed in the projected to age 60 computation. The annuity payable would be based on the earned annuity computation because that amount is greater than the guaranteed minimum benefit.

The annuity computation provisions for members of the Supreme Court Police in 5 U.S.C. § 8339(r) require the annuity to be computed using the 2.5 percent annuity accrual rate in 5 U.S.C. § 8339(d). The 2.5 percent annuity accrual rate was applied to the 15 years of service this employee performed as a member of the Supreme Court Police in both the earned annuity computation and the projected to age 60 benefit computation. Although the additional 12 years of time credited in the projected to age 60 benefit is credited as service as a member of the Supreme Court Police, only 5 of those 12 years can be applied to the 2.5 percent annuity accrual rate because the amount of total time that can be credited at the 2.5 percent annuity accrual rate cannot exceed 20 years. The balance of the additional 12 years not subject to the 2.5 percent annuity accrual rate is subject to the 2.0 percent annuity accrual rate from the General Formula. Service not performed as a member of the Supreme Court Police is subject to the appropriate annuity accrual rate from the General Formula (2.0 percent in this example) in both the earned annuity computation and the projected to age 60 benefit computation.

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the earned annuity because the earned annuity exceeds the guaranteed minimum benefit.

$$\text{Survivor Annuity: } 55\% \times \$40,375 = \$22,206.25 \text{ per year}$$

Example 7: CSRS Air Traffic Controller (50 percent guaranteed minimum benefit)

BACKGROUND INFORMATION:

An air traffic controller retires on disability at age 51 with a high-3 average pay of \$90,000. She has performed service as follows:

- 4 years of CSRS covered service as an annuitant services representative (CSRS deductions for this service were refunded to the employee and have not been repaid or redeposited); and
- 18 years of CSRS covered civilian service as an air traffic controller (CSRS deductions covering the service as an air traffic controller were not refunded to the employee).

The employee used all available sick leave before retirement.

Disability Annuity Computation

- Earned Annuity (Based on 18 years of service, the high-3 average pay, and the annuity accrual rates in 5 U.S.C. §8339(a):
 - $1.5\% \times 5 \times \$90,000 = \$6,750$, plus
 - $1.75\% \times 5 \times \$90,000 = \$7,875$, plus
 - $2.0\% \times 8 \times \$90,000 = \$14,400$, equals
 - Basic Annuity: $\$29,025$
- 50 Percent Guaranteed Minimum Computation for Air Traffic Controllers (5 U.S.C. § 8339(e)):
 - Basic Annuity equals: $50\% \times \$90,000 = \$45,000$

In this example, the earned annuity will be increased so that the amount of annuity payable will equal 50 percent of the high-3 average pay in accordance with the 50 percent guaranteed minimum benefit provision found in 5 U.S.C. § 8339(e). Although the employee took a refund of some of her CSRS retirement deductions, she is entitled to the 50 percent guaranteed minimum benefit because that refund did not cover any of the service during which she performed as an air traffic controller.

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from a disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the 50 percent guaranteed minimum benefit because it exceeds the earned annuity.

$$\text{Survivor Annuity: } 55\% \times \$45,000 = \$24,750 \text{ per year}$$

Example 8: CSRS Air Traffic Controller (Normal disability computation)

BACKGROUND INFORMATION:

An air traffic controller retires on disability at age 51 with a high-3 average pay of \$90,000. He has performed service as follows:

- 4 years of CSRS covered service as a claims clerk (CSRS deductions were refunded to employee and not repaid to the retirement fund);
- 5 years of CSRS covered service as an air traffic controller (CSRS deductions were refunded to the employee and not repaid to the retirement fund); and
- 13 years of CSRS covered service as an air traffic controller (CSRS deduction remain in the retirement fund)

The employee used all available sick leave before retirement.

Disability Annuity Computation

- Earned Annuity (Based on 13 years of creditable service and the high-3 average pay):
 - $1.5\% \times 5 \text{ (years)} \times \$90,000 = \$6,750$, plus
 - $1.75\% \times 5 \text{ (years)} \times \$90,000 = \$7,875$, plus
 - $2.0\% \times 3 \text{ (years)} \times \$90,000 = \$5,400$, equals
 - Basic Annuity: $\$20,025$
- Guaranteed Minimum Disability Benefit (the lesser of):
 - 40% Benefit:
 - Basic Annuity equals: $40\% \times \$90,000 = \$36,000$; or
 - Projected to Age 60 Benefit: (Includes 9 years of credit for service projected to age 60, credited as air traffic controller service because the employee was an air traffic controller when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.5\% \times 5 \text{ (years)} \times \$90,000 = \$6,750$, plus
 - $1.75\% \times 5 \text{ (year)} \times \$90,000 = \$7,875$, plus
 - $2.0\% \times 3 \text{ (years)} \times \$90,000 = \$5,400$, plus
 - $2.0\% \times 9 \text{ (years)} \times \$90,000 = \$16,200$, equals
 - Basic Annuity: $\$36,225$

In this example, the employee is not entitled to the 50 percent guaranteed minimum benefit for air traffic controllers under 5 U.S.C. § 8339(e) because he received a refund of CSRS deductions that covered a period during which he performed service as an air traffic controller. The earned annuity computation must be compared with the disability guaranteed minimum calculations to determine the amount of this employee's disability annuity.

The guaranteed minimum disability benefit would be based on 40 percent of the employee's high-3 average pay because that amount is less than the amount computed in the projected to age 60 benefit calculation. The annuity payable would be based on the 40 percent computation because that amount is greater than the earned annuity.

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the 40 percent guaranteed minimum computation because it exceeds the earned annuity.

$$\text{Survivor Annuity: } 55\% \times \$36,000 = \$19,800 \text{ per year}$$

Example 9: CSRS Customs and Border Protection Officer (covered under 5 U.S.C. § 8336(c) as the result of the provisions in Section 535 of Division E of Public Law 110-161, the Department of Homeland Security Appropriations Act)

BACKGROUND INFORMATION:

An employee in a customs and border protection officer (CBPO) position covered under the provisions of 5 U.S.C. § 8336(c) retires on disability at age 51 with a high-3 average pay of \$90,000. He has performed service as follows:

- 6 years covered civilian service (program analyst);
- 10 years covered civilian service (customs inspector);
- 4 years covered civilian service (CBPO before July 6, 2008);
- 2 years covered civilian service (CBPO on and after July 6, 2008, that qualifies for retirement under 5 U.S.C. §8336(c));
- 1 month credit for unused sick leave.

The employee did not elect to opt out of the provisions established in section 535 of Public Law 110-161 for CBPOs.

Disability Annuity Computation

- Earned Annuity (Based on 22 years of creditable service, 1 month sick leave credit, and the high-3 average pay):

- $2.5\% \times 2.083333 \text{ (years)} \times \$90,000 = \$4,687.50$, plus
- $1.5\% \times 2.916667 \text{ (years)} \times \$90,000 = \$3,937.50$, plus
- $1.75\% \times 5 \text{ (years)} \times \$90,000 = \$7,875.00$, plus
- $2.0\% \times 12.083333 \text{ (years)} \times \$90,000 = \$21,749.99$, equals
- Basic Annuity: $\$38,249.99$

- Guaranteed Minimum Disability Benefit (the lesser of):

- 40% Benefit:
 - Basic Annuity equals: $40\% \times \$90,000 = \$36,000$; or
- Projected to Age 60 Benefit: (Includes 9 years of credit for service projected to age 60, credited as CBPO service because the employee was a CBPO when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.5\% \times 5 \text{ (years)} \times \$90,000 = \$6,750$, plus
 - $1.75\% \times 5 \text{ (years)} \times \$90,000 = \$7,875$, plus
 - $2.0\% \times 12.083333 \text{ (years)} \times \$90,000 = \$21,749.99$, plus
 - $2.0\% \times 9 \text{ (years)} \times \$90,000 = \$16,200$, equals
 - Basic Annuity: $\$52,574.99$

In this example, the guaranteed minimum benefit would be based on 40 percent of the employee's high-3 average pay because that amount is less than the amount computed in the projected to age 60 computation. The annuity payable would be based on the earned annuity computation because that amount is greater than the guaranteed minimum benefit.

CBPO service performed on or after July 6, 2008, is the only service in this example subject to the provisions of 5 U.S.C. § 8336(c), and consequently, it is the only service that is subject to the 2.5 percent annuity accrual rate under 5 U.S.C. § 8339(d) in the earned annuity computation. The

unused sick leave credit is also applied to the 2.5 percent annuity accrual rate in the earned annuity computation because the employee was in a CBPO position at the time of separation for retirement. The total time credited at the 2.5 percent annuity accrual rate does not exceed 20 years. The service not used with the 2.5 percent annuity accrual rate is subject to the appropriate annuity accrual rates from the General Formula. In this example, the 2 years and 1 month of CBPO service credited at the 2.5 percent annuity accrual rate replaces 2 years and 1 month of service that would normally have been applied to the 1.5 percent annuity accrual rate, leaving 2 years and 11 months (5 years minus 2 years and 1 month) of service to be credited at the 1.5 percent annuity accrual rate.

Note that while the 2.5 percent annuity accrual rates from 5 U.S.C. § 8339(d) is used in the earned annuity computation, that accrual rate cannot be used in the projected to age 60 calculation because 5 U.S.C. § 8339(g)(2) does not authorize the use of the 2.5 percent annuity accrual rate from 5 U.S.C. § 8339(d) for CBPOs.

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the earned annuity because the earned annuity exceeds the guaranteed minimum benefit.

$$\text{Survivor Annuity: } 55\% \times \$38,249.99 = \$21,037.49 \text{ per year}$$

Example 10: CSRS Customs and Border Protection Officer (elected not to be covered under 5 U.S.C. § 8336(c))

BACKGROUND INFORMATION:

An employee in a customs and border protection officer (CBPO) position not covered under the provisions of 5 U.S.C. § 8336(c) retires on disability at age 51 with a high-3 average pay of \$90,000. He has performed service as follows:

- 6 years covered civilian service (program analyst);
- 10 years covered civilian service (customs inspector);
- 4 years covered civilian service (CBPO before July 6, 2008);
- 2 years covered civilian service (CBPO on and after July 6, 2008. that does not qualify for retirement under 5 U.S.C. §8336(c));
- 1 month credit for unused sick leave.

The employee made a timely election on or before June 22, 2008, to opt out of the provisions established in section 535 of Public Law 110-161 for CBPOs.

Disability Annuity Computation

- Earned Annuity (Based on 22 years of creditable service, 1 month sick leave credit, and the high-3 average pay):
 - $1.5\% \times 5 \text{ (years)} \times \$90,000 =$ \$6,750, plus
 - $1.75\% \times 5 \text{ (years)} \times \$90,000 =$ \$7,875, plus
 - $2.0\% \times 12.083333 \text{ (years)} \times \$90,000 =$ \$21,749.99, equals
 - Basic Annuity: \$36,374.99

- Guaranteed Minimum Disability Benefit (the lesser of):
 - 40% Benefit:
 - Basic Annuity equals: $40\% \times \$90,000 =$ \$36,000; or

 - Projected to Age 60 Benefit: (Includes 9 years of credit for service projected to age 60, credited as CBPO service because the employee was a CBPO when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.5\% \times 5 \text{ (years)} \times \$90,000 =$ \$6,750, plus
 - $1.75\% \times 5 \text{ (years)} \times \$90,000 =$ \$7,875, plus
 - $2.0\% \times 12.083333 \text{ (years)} \times \$90,000 =$ \$21,749.99, plus
 - $2.0\% \times 9 \text{ (years)} \times \$90,000 =$ \$16,200, equals
 - Basic Annuity: \$52,574.99

In this example, the guaranteed minimum benefit would be based on 40 percent of the employee's high-3 average pay because that amount is less than the amount computed in the projected to age 60 computation. The annuity payable would be based on the earned annuity computation because that amount is greater than the guaranteed minimum benefit.

The 2.5 percent annuity accrual rate from 5 U.S.C. § 8339(d) is not used in the computation of the earned annuity because the employee elected not to be covered under the provisions of 5 U.S.C. § 8336(c) for law enforcement officers, firefighters, nuclear materials couriers, and customs and border protection officers. The annuity accrual rates from 5 U.S.C. § 8339(a) apply to both the earned annuity computation and the projected to age 60 benefit.

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the same calculations would be applied to establish the amount of the survivor annuity payable to a spouse. In this example, the spouse's survivor annuity would equal 55 percent of the earned annuity because the earned annuity exceeds the guaranteed minimum benefit.

$$\text{Survivor Annuity: } 55\% \times \$36,374.99 = \$20,006.24 \text{ per year}$$

Example 11: FERS Law Enforcement Officer/Firefighter/Nuclear Materials Courier/Member of the Supreme Court Police/ Member of the Capitol Police

BACKGROUND INFORMATION:

A law enforcement officer retires on disability at age 48 with a high-3 average pay of \$85,000. She performed the following service:

- 4 years of FERS service as a soil conservation technician,
- 15 years of FERS law enforcement officer service covered under the provisions of 5 U.S.C. § 8412(d),
- 1 month credit for unused sick leave (note that the separation for retirement occurred after October 28, 2009, and the 1 month sick leave credit is the amount that actually may be credited in the computation of the FERS annuity).

The employee never received a refund of her FERS deductions. She is not entitled to social security disability benefits. For purposes of the recalculation at age 62, assume no cost-of-living-adjustments were authorized while she received her FERS disability annuity.

Disability Annuity Computation

- Earned Annuity: (based on 19 years of creditable service and 1 month sick leave credit)
 - $1.7\% \times 15.083333 \text{ (years)} \times \$85,000 = \$21,795.41$, plus
 - $1.0\% \times 4 \text{ (years)} \times \$85,000 = \$3,400$, equals
 - Basic Annuity: $\$25,195.41$

- 60 Percent of Average Pay Less 100 Percent of Social Security Disability
 - $60\% \times \$85,000 = \$51,000$

- 40 Percent of Average Pay Less 60 Percent of Social Security Disability
 - $40\% \times \$85,000 = \$34,000$

- Recalculation at Age 62 (Includes 14 years of credit for the time the annuitant received FERS disability benefits, credited as law enforcement officer service because the employee was a law enforcement officer when she retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.7\% \times 15.083333 \text{ (years)} \times \$85,000 = \$21,795.41$, plus
 - $1.7\% \times 4.916667 \text{ (years)} \times \$85,000 = \$7,104.58$, plus
 - $1.0\% \times 4 \text{ (years)} \times \$85,000 = \$3,400$, plus
 - $1.0\% \times 9.083333 \text{ (years)} \times \$85,000 = \$7,720.83$, equals
 - Basic Annuity: $\$40,020.82$

In this example, the 1.7 percent annuity accrual rate from 5 U.S.C. § 8415(d) and the 1.0 percent annuity accrual rate from 5 U.S.C. § 8415(a) are used to compute the earned annuity and the annuity recalculated at age 62. Unused sick leave credit is subject to the 1.7 percent annuity accrual rate because the individual was a law enforcement officer at the time of retirement.

The annuitant would receive annuity based on 60 percent of her average pay during the first year she received disability annuity. After the first year, the annuity would be recomputed and her annuity would be based on 40 percent of her average pay. (Both the 60 percent computation and the 40 percent computation exceed her earned annuity computation.) At age 62, the annuity would be recomputed again, based on the amount of creditable service the annuitant performed

before retirement and additional credit for the time she was receiving FERS disability annuity. The additional credit is treated as service in the position occupied at the time of retirement. In this example, only 4 years and 11 months of the additional credit (as law enforcement officer service) is subject to the 1.7 percent annuity accrual rate because the total time subject to the 1.7 percent annuity accrual rate cannot exceed 20 years. The remaining 9 years and 1 month of additional credit is subject to the 1.0 percent annuity accrual rate. Note that the 1.1 percent annuity accrual rate authorized in 5 U.S.C. § 8415(h) for certain employees who have performed 20 years of service or more and who retire after reaching age 62 is not applicable because the employee retired as a law enforcement officer.

Survivor Annuity Based on the Death of the Disability Retiree

If the disability annuitant in this example elected the maximum survivor annuity for a spouse or former spouse and died before attaining age 62, the survivor annuity payable to the spouse or former spouse would be based on the recomputation at age 62 annuity rate. The survivor annuity would equal 50 percent of that rate.

$$\text{Survivor Annuity: } 50\% \times \$40,020.82 = \$20,010.41 \text{ per year}$$

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the survivor annuity payable to a spouse or a former spouse would be based on the earned annuity computation. The survivor annuity would equal 50 percent of the earned annuity.

$$\text{Survivor Annuity: } 50\% \times \$25,195.41 = \$12,597.71 \text{ per year}$$

Example 12: FERS Customs and Border Protection Officer (covered under 5 U.S.C. § 8412(d) as the result of the provisions in Section 535 of Division E of Public Law 110-161, the Department of Homeland Security Appropriations Act)

BACKGROUND INFORMATION:

A customs and border protection officer (CBPO) retires on disability at age 33 with a high-3 average pay of \$70,000. She performed the following service:

- 3 years of FERS service as a biological science technician,
- 4 years of FERS service as a CBPO performed before July 6, 2008, not covered under the provisions of 5 U.S.C. § 8412(d).
- 2 years of FERS service as a CBPO performed on or after July 6, 2008, covered under the provisions of 5 U.S.C. § 8412(d).

The employee used all available sick leave before retirement. She never received a refund of her FERS deductions. She is not entitled to social security disability benefits. Assume no cost-of-living-adjustments were authorized while she was receiving her FERS disability annuity.

Disability Annuity Computation

- Earned Annuity: (based on 9 years of creditable service)
 - $1.7\% \times 2 \text{ (years)} \times \$70,000 = \$2,380$, plus
 - $1.0\% \times 7 \text{ (years)} \times \$70,000 = \$4,900$, equals
 - Basic Annuity: $\$7,280$

- 60 Percent of Average Pay Less 100 Percent of Social Security Disability
 - $60\% \times \$70,000 = \$42,000$

- 40 Percent of Average Pay Less 60 Percent of Social Security Disability
 - $40\% \times \$85,000 = \$28,000$

- Recomputation at Age 62 (Includes 29 years of credit for the time the annuitant received FERS disability benefits, credited as CBPO service because the employee was a CBPO when she retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.7\% \times 2 \text{ (years)} \times \$70,000 = \$2,380$, plus
 - $1.7\% \times 18 \text{ (years)} \times \$70,000 = \$21,420$, plus
 - $1.0\% \times 7 \text{ (years)} \times \$70,000 = \$4,900$, plus
 - $1.0\% \times 11 \text{ (years)} \times \$70,000 = \$7,700$, equals
 - Basic Annuity: $\$36,400$

In this example, the 1.7 percent annuity accrual rate from 5 U.S.C. § 8415(d) and the 1.0 percent annuity accrual rate from 5 U.S.C. § 8415(a) are used to compute the earned annuity and the annuity recalculated at age 62 because the CBPO service on and after July 6, 2008, is creditable toward retirement under § 8412(d). The 1.7 percent annuity accrual rate only applies to the CBPO service performed on and after July 6, 2008.

The annuitant would receive annuity based on 60 percent of her average pay during the first year she received disability annuity. After the first year, the annuity would be recomputed and her annuity would be based on 40 percent of her average pay. (Both the 60 percent computation and the 40 percent computation exceed her earned annuity computation.) At age 62, the annuity

would be recomputed again, based on the amount of creditable service the annuitant performed before retirement and additional credit for the time she was receiving FERS disability annuity. The additional credit is treated as service in the position occupied at the time of retirement. In this example, 18 years of the additional credit (as CBPO service) is subject to the 1.7 percent annuity accrual rate because the total time subject to the 1.7 percent annuity accrual rate under 5 U.S.C. § 8415(d) cannot exceed 20 years. The remaining 11 years of additional credit is subject to the 1.0 percent annuity accrual rate. Note that the 1.1 percent annuity accrual rate authorized in 5 U.S.C. § 8415(h) for certain employees who have performed at least 20 years of service and who retire after reaching age 62 is not applicable because the employee retired as a CBPO covered under the retirement provisions of 5 U.S.C. § 8412(d).

Survivor Annuity Based on the Death of the Disability Retiree

If the disability annuitant in this example elected the maximum survivor annuity for a spouse or former spouse and died before attaining age 62, the survivor annuity payable to the spouse or former spouse would be based on the recomputation at age 62 annuity rate. The survivor annuity would equal 50 percent of that rate.

$$\text{Survivor Annuity: } 50\% \times \$36,400 = \$18,200 \text{ per year}$$

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, there would be no survivor annuity payable to a spouse or a former spouse because the employee did not perform the minimum 10 years of creditable service required for a survivor annuity to be paid.

Example 13: FERS Customs and Border Protection Officer (elected not to be covered under 5 U.S.C. § 8412(d))

BACKGROUND INFORMATION:

A customs and border protection officer (CBPO) retires on disability at age 33 with a high-3 average pay of \$70,000. He performed the following service:

- 3 years of FERS service as a paralegal specialist,
- 4 years of FERS service as a CBPO performed before July 6, 2008, not covered under the provisions of 5 U.S.C. § 8412(d).
- 2 years of FERS service as a CBPO performed on or after July 6, 2008, NOT covered under the provisions of 5 U.S.C. § 8412(d).

The employee made a timely election on or before June 22, 2008, to opt out of the provisions established in section 535 of Public Law 110-161 for CBPOs. He used all available sick leave before retirement. He never received a refund of his FERS deductions. He is not entitled to social security disability benefits. Assume no cost-of-living-adjustments were authorized while he was receiving his FERS disability annuity.

Disability Annuity Computation

- Earned Annuity: (based on 9 years of creditable service)
 - Basic Annuity: $1.0\% \times 9 \text{ (years)} \times \$70,000 = \$6,300$
- 60 Percent of Average Pay Less 100 Percent of Social Security Disability
 - $60\% \times \$70,000 = \$42,000$
- 40 Percent of Average Pay Less 60 Percent of Social Security Disability
 - $40\% \times \$70,000 = \$28,000$
- Recomputation at Age 62 (Includes 29 years of credit for the time the annuitant received FERS disability benefits, credited as CBPO service (not subject to the provisions of 5 U.S.C. § 8412(d)) because the employee was a CBPO when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.1\% \times 9 \text{ (years)} \times \$70,000 = \$6,930$, plus
 - $\frac{1.1\% \times 29 \text{ (years)} \times \$70,000}{} = \$22,330$, equals
 - Basic Annuity: $$ $\$29,260$

In this example, the earned annuity is computed entirely under 5 U.S.C. § 8415(a) because the employee elected not to be covered under the provisions of 5 U.S.C. § 8412(d) as a CBPO.

The annuitant would receive annuity based on 60 percent of his average pay during the first year he received disability annuity. After the first year, the annuity would be recomputed and his annuity would be based on 40 percent of his average pay. (Both the 60 percent computation and the 40 percent computation exceed his earned annuity computation.) At age 62, the annuity would be recomputed again, based on the amount of creditable service the annuitant performed before retirement and additional credit for the time he was receiving FERS disability annuity. The additional credit is treated as service in the position occupied at the time of retirement. In this example, all 29 years of the additional credit (as CBPO service) is subject to the 1.1 percent annuity accrual rate because the individual elected not to be covered under the provisions of 5 U.S.C. § 8412(d). The 1.1 percent annuity accrual rate in 5 U.S.C. § 8415(h) can be used in

lieu of the 1.0 percent annuity accrual rate in 5 U.S.C. § 8415(a) to compute the benefit at age 62 because of the total time is credited in the computation is at least 20 years and because the employee elected not to be subject to the provisions relating to CBPOs established in section 535 of Public Law 110-161.

Survivor Annuity Based on the Death of the Disability Retiree

If the disability annuitant in this example elected the maximum survivor annuity for a spouse or former spouse and died before attaining age 62, the survivor annuity payable to the spouse or former spouse would be based on the recomputation at age 62 annuity rate. The survivor annuity would equal 50 percent of that rate.

$$\text{Survivor Annuity: } 50\% \times \$29,260 = \$14,630 \text{ per year}$$

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to a death of the employee, there would be no survivor annuity payable to a spouse or a former spouse because the employee did not perform the minimum 10 years of creditable service required for a survivor annuity to be paid.

Example 14: FERS Air Traffic Controller

BACKGROUND INFORMATION:

A supervisory air traffic controller retires on disability at age 42. Her high-3 average pay is \$90,000. Her creditable service is as follows:

- 2 years military service – military deposit paid
- 3 years FERS service - - procurement technician
- 10 years FERS air traffic controller – front-line (5 U.S.C. § 2109(1)(A)(i))
- 4 years FERS air traffic controller – first level supervisor (5 U.S.C. § 2109(1)(B))

The employee used all available sick leave before retirement. She never received a refund of her FERS deductions. She is not entitled to social security disability benefits. Assume no cost-of-living-adjustments were authorized while she was receiving her FERS disability annuity.

Disability Annuity Computation

- Earned Annuity (based on 19 years of creditable service)
 - $1.7\% \times 10 \text{ (years)} \times \$90,000 = \$15,300$, plus
 - $1.7\% \times 4 \text{ (years)} \times \$90,000 = \$6,120$, plus
 - $1.0\% \times 5 \text{ (years)} \times \$90,000 = \$4,500$, equals
 - Basic Annuity: $\$25,920$
- 60 Percent of Average Pay Less 100 Percent of Social Security Disability
 - $60\% \times \$90,000 = \$54,000$
- 40 Percent of Average Pay Less 60 Percent of Social Security Disability
 - $40\% \times \$90,000 = \$36,000$
- Recomputation at Age 62 (Includes 20 years of credit for the time the annuitant received FERS disability benefits, credited as supervisory air traffic controller service because the employee was a supervisory air traffic controller when she retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.7\% \times 10 \text{ (years)} \times \$90,000 = \$15,300$, plus
 - $1.7\% \times 4 \text{ (years)} \times \$90,000 = \$6,120$, plus
 - $1.7\% \times 16 \text{ (years)} \times \$90,000 = \$24,480$, plus
 - $1.0\% \times 4 \text{ (years)} \times \$90,000 = \$3,600$, plus
 - $1.0\% \times 5 \text{ (years)} \times \$90,000 = \$4,500$, equals
 - Basic Annuity: $\$54,000$

In this example the 1.7 percent annuity accrual rates from both 5 U.S.C. § 8415(d) and § 8415(e) are used to compute the earned benefit and the recalculated benefit at age 62. The front-line air traffic controller service is subject to the 1.7 percent annuity accrual rate in § 8415(e) and the supervisory air traffic controller service is subject to the 1.7 percent annuity accrual rate in § 8415(d).

The annuitant would receive annuity based on 60 percent of her average pay during the first year she received disability annuity. After the first year, the annuity would be recomputed and her annuity would be based on 40 percent of her average pay. (Both the 60 percent computation and the 40 percent computation exceed her earned annuity computation.) At age 62, the annuity would be recomputed again, based on the amount of creditable service the annuitant performed

before retirement and the additional credit for the time she was receiving FERS disability annuity. The additional credit is treated as service in the position occupied at the time of retirement. In this example, 16 years of the additional credit (as supervisory air traffic controller service) is subject to the 1.7 percent annuity accrual rate because the total time subject to the 1.7 percent annuity accrual rate, excluding the front-line air traffic controller service, cannot exceed 20 years. (The front-line air traffic controller service is subject to the 1.7 percent annuity accrual rate under 5 U.S.C. §8415(e) and does not count toward the 20 year limit to service applied to the 1.7 percent annuity accrual rate under 5 U.S.C. § 8415(d)). The remaining four years of additional credit is subject to the 1.0 percent annuity accrual rate under 5 U.S.C. § 8415(a). Note that the 1.1 percent annuity accrual rate authorized in 5 U.S.C. § 8415(h) for certain employees who have performed at least 20 years of service and who retire after reaching age 62 is not applicable because the employee retired as an air traffic controller.

Survivor Annuity Based on the Death of the Disability Retiree

If the disability annuitant in this example elected the maximum survivor annuity for a spouse or former spouse and died before attaining age 62, the survivor annuity payable to the spouse or former spouse would be based on the recomputation at age 62 annuity rate. The survivor annuity would equal 50 percent of that rate.

$$\text{Survivor Annuity: } 50\% \times \$54,000 = \$27,000 \text{ per year}$$

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the survivor annuity payable to a spouse or a former spouse would be based on the earned annuity computation. The survivor annuity would equal 50 percent of the earned annuity.

$$\text{Survivor Annuity: } 50\% \times \$25,920 = \$12,960 \text{ per year}$$

Example 15: FERS Air Traffic Controller

BACKGROUND INFORMATION:

A supervisory air traffic controller retires on disability at age 42. Her high-3 average pay is \$90,000. Her creditable service is as follows:

- 2 years military service – military deposit paid
- 3 years FERS service - - procurement technician
- 4 years FERS air traffic controller – front-line (5 U.S.C. § 2109(1)(A)(i))
- 10 years FERS air traffic controller – first level supervisor (5 U.S.C. § 2109(1)(B))

The employee used all available sick leave before retirement. She never received a refund of her FERS deductions. She is not entitled to social security disability benefits. Assume no cost-of-living-adjustments were authorized while she was receiving her FERS disability annuity.

Disability Annuity Computation

- Earned Annuity (based on 19 years of creditable service)
 - $1.7\% \times 14 \text{ (years)} \times \$90,000 = \$21,420$, plus
 - $1.0\% \times 5 \text{ (years)} \times \$90,000 = \$4,500$, equals
 - Basic Annuity: $\$25,920$
- 60 Percent of Average Pay Less 100 Percent of Social Security Disability
 - $60\% \times \$90,000 = \$54,000$
- 40 Percent of Average Pay Less 60 Percent of Social Security Disability
 - $40\% \times \$90,000 = \$36,000$
- Recomputation at Age 62 (Includes 20 years of credit for the time the annuitant received FERS disability benefits, credited as supervisory air traffic controller service because the employee was a supervisory air traffic controller when she retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.7\% \times 14 \text{ (years)} \times \$90,000 = \$21,420$, plus
 - $1.7\% \times 6 \text{ (years)} \times \$90,000 = \$9,180$, plus
 - $1.0\% \times 14 \text{ (years)} \times \$90,000 = \$12,600$, plus
 - $1.0\% \times 5 \text{ (years)} \times \$90,000 = \$4,500$, equals
 - Basic Annuity: $\$47,700$

In this example the 1.7 percent annuity accrual rate in 5 U.S.C. § 8415(e) can not be used in the earned annuity computation or in the recomputation at age 62 because the employee did not perform the minimum 5 years of front-line air traffic controller service required in that section. The earned annuity and the recomputation at age 62 will be subject to the 1.7 percent annuity accrual rate in 5 U.S.C. § 8415(d) and the 1.0 percent annuity accrual rate in § 8415(a).

The annuitant would receive annuity based on 60 percent of her average pay during the first year she received disability annuity. After the first year, the annuity would be recomputed and her annuity would be based on 40 percent of her average pay. (Both the 60 percent computation and the 40 percent computation exceed her earned annuity computation.) At age 62, the annuity would be recomputed again, based on the amount of creditable service the annuitant performed before retirement and the additional credit for the time she was receiving FERS disability annuity. The additional credit is treated as service in the position occupied at the time of retirement. In

this example, 6 years of the additional credit (as supervisory air traffic controller service) is subject to the 1.7 percent annuity accrual rate because the total time subject to the 1.7 percent annuity accrual rate, cannot exceed 20 years. (The front line air traffic controller service is included in determining the 20 year limit in this example because it cannot be applied to the 1.7 percent annuity accrual rate in 5 U.S.C. § 8415(e).) The remaining 14 years of additional credit is subject to the 1.0 percent annuity accrual rate under 5 U.S.C. § 8415(a). Note that the 1.1 percent annuity accrual rate authorized in 5 U.S.C. § 8415(h) for certain employees who have performed at least 20 years of service and who retire after reaching age 62 is not applicable because the employee retired as an air traffic controller.

Survivor Annuity Based on the Death of the Disability Retiree

If the disability annuitant in this example elected the maximum survivor annuity for a spouse or former spouse and died before attaining age 62, the survivor annuity payable to the spouse or former spouse would be based on the recomputation at age 62 annuity rate. The survivor annuity would equal 50 percent of that rate.

$$\text{Survivor Annuity: } 50\% \times \$47,700 = \$23,850 \text{ per year}$$

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the survivor annuity payable to a spouse or a former spouse would be based on the earned annuity computation. The survivor annuity would equal 50 percent of the earned annuity.

$$\text{Survivor Annuity: } 50\% \times \$25,920 = \$12,960 \text{ per year}$$

Example 16: FERS Air Traffic Controller

BACKGROUND INFORMATION:

A front line air traffic controller retires on disability at age 34. Her high-3 average pay is \$60,000. Her creditable service is as follows:

- 2 years military service – military deposit paid
- 6 years covered FERS service – aviation clerk
- 4 years FERS air traffic controller – front-line (5 U.S.C. § 2109(1)(A)(i))

The employee used all available sick leave before retirement. She never received a refund of her FERS deductions. She is not entitled to social security disability benefits. Assume no cost-of-living-adjustments were authorized while she was receiving her FERS disability annuity.

Disability Annuity Computation

- Earned Annuity (based on 12 years of creditable service)
 - $1.7\% \times 4 \text{ (years)} \times \$60,000 = \$4,080, \text{ plus}$
 - $1.0\% \times 8 \text{ (years)} \times \$60,000 = \$4,800, \text{ equals}$
 - Basic Annuity: $\$8,880$
- 60 Percent of Average Pay Less 100 Percent of Social Security Disability
 - $60\% \times \$60,000 = \$36,000$
- 40 Percent of Average Pay Less 60 Percent of Social Security Disability
 - $40\% \times \$60,000 = \$24,000$
- Recomputation at Age 62 (Includes 28 years of credit for the time the annuitant received FERS disability benefits, credited as front-line air traffic controller service because the employee was a front-line air traffic controller when she retired. The credit for the additional service in the computation is reflected in *italicized font*.)
 - $1.7\% \times 4 \text{ (years)} \times \$60,000 = \$4,080, \text{ plus}$
 - $1.7\% \times 28 \text{ (years)} \times \$60,000 = \$28,560, \text{ plus}$
 - $1.0\% \times 8 \text{ (years)} \times \$60,000 = \$4,800, \text{ equals}$
 - Basic Annuity: $\$37,440$

In this example, the annuitant would receive annuity based on 60 percent of her average pay during the first year she received disability annuity. After the first year, the annuity would be recomputed and her annuity would be based on 40 percent of her average pay. (Both the 60 percent computation and the 40 percent computation exceed her earned annuity computation.) At age 62, the annuity would be recomputed again, based on the amount of creditable service the annuitant performed before retirement and the additional credit for the time she was receiving FERS disability annuity. The additional credit is treated as service in the position occupied at the time of retirement. In this example, all of the additional credit (as front-line air traffic controller service) is subject to the 1.7 percent annuity accrual rate. The additional credit to age 62 as a front-line air traffic controller can be combined with the front-line air traffic controller service the employee actually performed to satisfy the 5 year front-line air traffic controller service requirement in 5 U.S.C. § 8415(e). In this example, all of the time credited as front-line air traffic controller service in the age 62 recomputation is subject to the 1.7 percent annuity accrual rate found in 5 U.S.C. § 8415(e). The remaining creditable service is subject to the 1.0 percent annuity accrual rate under 5 U.S.C. § 8415(a). Note that the 1.1 percent annuity accrual rate

authorized in 5 U.S.C. § 8415(h) for certain employees who have performed at least 20 years of service and who retire after reaching age 62 is not applicable because the employee retired as an air traffic controller.

Survivor Annuity Based on the Death of the Disability Retiree

If the disability annuitant in this example elected the maximum survivor annuity for a spouse or former spouse and died before attaining age 62, the survivor annuity payable to the spouse or former spouse would be based on the recomputation at age 62 annuity rate. The survivor annuity would equal 50 percent of that rate.

$$\text{Survivor Annuity: } 50\% \times \$37,440 = \$18,720 \text{ per year}$$

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the survivor annuity payable to a spouse or a former spouse would be based on the earned annuity computation. The survivor annuity would equal 50 percent of the earned annuity.

$$\text{Survivor Annuity: } 50\% \times \$8,880 = \$4,440 \text{ per year}$$

Example 17: FERS Annuity with a CSRS Component - Air Traffic Controller

BACKGROUND INFORMATION:

A supervisory air traffic controller retires on disability at age 49. His high-3 average pay is \$90,000. His creditable service is as follows:

- 2 years military service – CSRS military deposit paid
- 12 years CSRS air traffic controller service – front-line (5 U.S.C. § 2109(1)(A)(i))
- 8 years FERS air traffic controller – front-line (5 U.S.C. § 2109(1)(A)(i))
- 4 years FERS air traffic controller – first level supervisor (5 U.S.C. § 2109(1)(B))
- 2 months of frozen unused sick leave credited in the CSRS component
- 1 month of unused sick leave credited in the FERS component (note that the separation for retirement occurred after October 28, 2009, and the 1 month sick leave credit is the amount that actually may be credited in the computation of the FERS annuity).

The employee never received a refund of his CSRS or FERS deductions. He is not entitled to social security disability benefits. Assume no cost-of-living-adjustments were authorized while he was receiving his FERS disability annuity.

Disability Annuity Computation

- Earned Annuity
 - CSRS Component (based on 14 years of creditable service and 2 months sick leave credit)
 - $1.5\% \times 5 \text{ (years)} \times \$90,000 =$ \$6,750, plus
 - $1.75\% \times 5 \text{ (years)} \times \$90,000 =$ \$7,875, plus
 - $2.0\% \times 4.166667 \text{ (years)} \times \$90,000 =$ \$7,500, equals
 - CSRS Component Basic Annuity: \$22,125
 - FERS Component (based on 12 years of creditable service and 1 month of sick leave credit):
 - $1.7\% \times 8 \text{ (years)} \times \$90,000 =$ \$12,240, plus
 - $1.7\% \times 4.083333 \text{ (years)} \times \$90,000 =$ \$6,247.49, equals
 - FERS Component Basic Annuity: \$18,487.49
 - FERS Annuity with CSRS Component:
 - CSRS Component: \$22,125.00, plus
 - FERS Component: \$18,487.49, equals
 - FERS Basic Annuity: \$40,612.49
- 60 Percent of Average Pay Less 100 Percent of Social Security Disability
 - $60\% \times \$90,000 = \$54,000$
- 40 Percent of Average Pay Less 60 Percent of Social Security Disability
 - $40\% \times \$90,000 = \$36,000$
- Recomputation at Age 62 (Includes 13 years of credit for the time the annuitant received FERS disability benefits, credited as supervisory air traffic controller service because the employee was a supervisory air traffic controller when he retired. The credit for the additional service in the computation is reflected in *italicized font*.)

- CSRS Component: \$22,125.00, plus
- 1.7% x 8 (years) x \$90,000 = \$12,240, plus
- 1.7% x 4.083333 (years) x \$90,000 = \$6,247.49, plus
- 1.7% x 13 (years) x \$90,000 = \$19,890, equals
- Basic Annuity: \$60,502.49

In this example, the earned annuity equals the sum of the CSRS component and the FERS component. The CSRS component is based on the earned computation provisions of the CSRS law and not the guaranteed minimum provisions.

The annuitant would receive annuity based on 60 percent of his average pay during the first year he received disability annuity because the 60 percent computation exceeds the earned annuity. After the first year, the annuity would be recomputed and the annuity payable would be based on the earned annuity because that annuity is greater than the annuity under the 40 percent computation. At age 62, the annuity would be recomputed again, based on the amount of creditable service the annuitant performed before retirement and the additional credit for the time he was receiving FERS disability annuity. The additional credit is treated as service in the position occupied at the time of retirement. In this example, all 13 years of the additional credit (as supervisory air traffic controller service) is subject to the 1.7 percent annuity accrual rate under 5 U.S.C. § 8415(d) because the total amount of time credited as an air traffic controller under § 8415(d) is less than 20 years. The 8 years of front-line air traffic controller service under FERS is subject to the 1.7 percent annuity accrual rate under 5 U.S.C. §8415(e) and does not count toward the 20 year limit under §8415(d).

Survivor Annuity Based on the Death of the Disability Retiree

If the disability annuitant in this example elected the maximum survivor annuity for a spouse or former spouse and died before attaining age 62, the survivor annuity payable to the spouse or former spouse would be based on the recomputation at age 62 annuity rate. The survivor annuity would equal 50 percent of that rate.

$$\text{Survivor Annuity: } 50\% \times \$60,502.49 = \$30,251.25 \text{ per year}$$

Survivor Annuity Based on the Death of an Employee

If the type of separation in this example were changed from disability retirement to death of the employee, the survivor annuity payable to a spouse or a former spouse would be based on the earned annuity computation. The survivor annuity would equal 50 percent of the earned annuity.

$$\text{Survivor Annuity: } 50\% \times \$40,612.49 = \$20,306.25 \text{ per year}$$