

# Frequently Asked Questions Regarding Deposit Service

## What Is Deposit Service?

Although you may be covered under the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS) now, you may have previous periods of Federal civilian employment during which no retirement contributions were withheld from your pay. Those periods of service are called **deposit service** or non-deduction service. Since retirement contributions were not withheld from your pay, the Government was not able to save and invest your retirement contributions over the years to help pay for the benefits you will receive when you are eligible to retire.

If you have deposit service or non-deduction service, you may have the option of making a payment (a **deposit**) to the Office of Personnel Management (OPM) to fully cover the period of service. If you pay the deposit, you will receive full credit towards retirement for the period of service.

**Note:** You cannot make a deposit for FERS non-deduction service performed on and *after* January 1, 1989. FERS deposit service on and *after* January 1, 1989 does not count towards retirement. You cannot make a payment to receive credit. FERS deposits are only allowed for service performed before January 1, 1989.

## How Do I Know If I Have Deposit Service?

If your work history includes non-permanent service under an appointment excluded from retirement coverage (see list below), you will have deposit service. **There is one exception** to these exclusions. If you were covered under either CSRS or FERS, and then you transferred to an excluded appointment without a break of more than 3 days, you should have remained covered by the retirement system. This exception is called **continuity of coverage**.

Appointments excluded from CSRS include:

- Temporary appointments (limited to 1 year or less);
- Temporary appointments pending establishment of a register (TAPER);
- Term appointments;
- Indefinite appointments; and

- Intermittent appointments (unless you are also on a career or career conditional appointment).

Appointments excluded from FERS include:

- Temporary appointments (limited to 1 year or less); and
- Intermittent appointments (unless you are also on a career or career conditional appointment).

You can find out which system you are in (or were in) by looking at block #30 on your SF 50, Notification of Personnel Action. If you have questions about your service history and retirement coverage, you should contact your employing office.

### **Can Deposit Service Affect My Retirement Benefits?**

Yes. If you do not pay a deposit to cover the period of deposit service, it will affect your retirement. An **unpaid deposit** may affect when you are eligible to retire and how much money you receive in **annuity payments**. An annuity payment is your monthly retirement benefit. Annuity payments start when you retire and are paid for the rest of your life. If you pay the deposit, you will receive full retirement credit for the period of deposit service.

Retirement credit can be broken down into two categories:

- **Eligibility:** CSRS and FERS have different retirement eligibility requirements. Although there are many factors that affect whether you are eligible to retire, one factor is your length of service.
  - If you receive credit for eligibility for a period of service, that service counts towards meeting the length of service requirement for retirement (i.e., 30 years of service for voluntary retirement).
  - If you do not receive credit for eligibility for a period of service, that service will not count towards meeting the length of service requirement for retirement (which means you may have to work longer to be eligible to retire).
- **Computation:** CSRS and FERS have different annuity formulas for computing the amount of your annuity payment. One factor in these formulas is your length of service. (**Note:** Your length of service for computation may be *less* than your length of service for eligibility).

- If you receive credit for computation for a period of service, that service will be added to all other periods of creditable service to determine your total length of service. This total will then be used to compute the amount of your annuity payment.
- If you do not receive credit for computation for a period of service, that service will not be used when calculating the amount of your annuity payment (which means you will get less money).

The rules that determine the affect of an unpaid deposit are different depending upon when the service was performed and whether the service would be creditable under CSRS or FERS.

### **What Is The Affect Of An Unpaid Deposit Under CSRS?**

(See the CSRS deposit service chart at the end of this document.)

- **If the unpaid deposit is for CSRS deposit service performed before Oct 1, 1982:**
- Eligibility: you receive length of service credit for the period of deposit service.
- Computation: you receive length of service credit for the period of deposit service.
- Reduction: your annuity payment is **permanently reduced**. Your annual annuity payment amount is reduced by 10% of the unpaid deposit.

#### **Example of 10% reduction:**

Bob retires after 30 years of total service. His total service includes 2 years of deposit service performed before Oct 1, 1982. The deposit for this 2-year period is \$5,000. Bob is considering paying the deposit. His high-3 average salary is \$59,000.

If Bob pays the \$5,000 deposit, his annual annuity payment would be \$33,188 (before adjustments for survivor election costs, tax withholdings, insurance premium payments, cost-of-living adjustments (COLA), etc.). (With 30 years of service, he receives 56.25% of his \$59,000 high-3 average salary).

If Bob does not pay the \$5,000 deposit, his annuity payment would be reduced by \$500 each year. (10% of his \$5,000 unpaid deposit = \$500 permanent annual reduction). Bob's annual annuity payment would be \$32,688 (before adjustments).

- **If the unpaid deposit is for CSRS deposit service performed on or after Oct 1, 1982:**
  - Eligibility: you receive length of service credit for the period of deposit service.
  - Computation: you do not receive length of service credit for the period of deposit service.

**Example of unpaid deposit service performed on or after Oct 1, 1982:**

Susan retires after 30 years of total service. Her total service includes 2 years of deposit service performed on or after Oct 1, 1982. The deposit for this 2-year period is \$5,000. Susan is considering paying the deposit. Her high-3 average salary is \$59,000.

If Susan pays the \$5,000 deposit, her annual annuity payment would be \$33,188 (before adjustments). (With 30 years of service, she receives 56.25% of her \$59,000 high-3 average salary).

If Susan does not pay the \$5,000 deposit, she will not receive credit in her annuity computation for the deposit service. Her annuity computation would be based on 28 years of service instead of 30. Her annual annuity payment for 28 years of service would be 30,828 (before adjustments). (With 28 years of service, she receives 52.25% of her \$59,000 high-3 average salary).

**What Is The Affect Of An Unpaid Deposit Under FERS?**

(See the FERS deposit service chart at the end of this document.)

The basic FERS deposit rule is simple. **No Deposit. No Credit.** If you do not pay the deposit, you will not receive **any** credit towards retirement for the service (eligibility or computation).

Other points about FERS deposits:

- FERS deposits are only allowed for deposit service performed **before** January 1, 1989.
- FERS deposit service **on and after** January 1, 1989 is not creditable. The service does not count towards retirement (eligibility or computation). You are not allowed to make a deposit.
- If you **transferred to FERS** from CSRS or CSRS Offset, you should contact your employing office for more information. Special rules apply to determine if your

service prior to becoming FERS will follow the FERS rules or if the service will follow the CSRS rules.

### **How Much Will The Deposit Cost?**

The amount of your deposit is based on a percentage of the salary you earned during the period of deposit or non-deduction service, plus interest. Your employing office can prepare an **estimate** of the deposit amount owed.

- **The CSRS deposit** equals the amount of retirement deductions that would have been taken from your salary had you been covered by the retirement system (7% from January 1970 to December 1998, 7.25% in 1999, 7.40% in 2000, and 7% since 2001), **plus interest**.
- **The FERS deposit rate is 1.3%** of the salary you earned during the period of deposit service, **plus interest**.

Deposit service creditable under the special retirement provisions will cost 0.5% more. Special retirement provisions cover CSRS and FERS law enforcement officers/firefighters or FERS air traffic controllers.

### **Why Do I Have To Pay Interest And How Much Will It Be?**

When you are covered by either CSRS or FERS, retirement contributions are withheld from your salary each pay period. Your agency also pays retirement contributions for all employees covered by CSRS or FERS. All the retirement contributions are sent to the Office of Personnel Management (OPM), then to the U.S. Treasury for deposit into the Civil Service Retirement and Disability Fund (the Fund). The Government invests the money in the Fund to help pay for the benefits you will receive when you are eligible to retire. If you have deposit service, your contributions have not been earning interest over the years to fund retirement benefits for that period of service. The government charges interest to help offset the loss of earnings on your deposit.

Deposit service is subject to interest based on when the service was performed. Interest is charged each year there is an unpaid deposit balance (compounded annually).

- **4%** interest before Jan 1, 1948;
- **3%** interest from Jan 1, 1948 to Dec 31, 1984; and
- **Variable interest rates** apply after Dec 31, 1984 (rates listed below).

## Variable Interest Rates

These rates are determined at the end of each year by the Secretary of the Treasury. The rates are based on the amount of interest the Government earned on investments that year.

<b>Year</b>	<b>Interest Rate</b>	<b>Year</b>	<b>Interest Rate</b>
1985	13.000%	1998	6.750%
1986	11.125%	1999	5.750%
1987	9.000%	2000	5.875%
1988	8.375%	2001	6.375%
1989	9.125%	2002	5.500%
1990	8.750%	2003	5.000%
1991	8.625%	2004	3.875%
1992	8.125%	2005	4.375%
1993	7.125%	2006	4.125%
1994	6.250%	2007	4.875%
1995	7.000%	2008	4.75%
1996	6.875%		
1997	6.875%		

**Note:** If you have CSRS deposit service that was performed **before** Oct 1, 1982, the variable interest rates are not charged. The 3% rate would continue to apply (4% until Jan 1, 1948). For CSRS deposit service performed on or after Oct 1, 1982, and for FERS deposit service, 3% applies to the unpaid balance from Jan 1, 1948 through Dec 31, 1984. Beginning Jan 1, 1985, the variable interest rates apply to the unpaid balance.

### How Do I Make A Deposit?

- Ask your employing office for an **estimate** of the deposit amount owed.
- If you intend to make a deposit, complete one of the following **forms** (depending on whether you are a CSRS or FERS employee).

**CSRS Service -SF 2803**, Application to Make Deposit or Redeposit, or  
**FERS Service -SF 3108**, Application to Make Service Credit Payment.

The forms are available on the OPM website at  
<http://www.opm.gov/forms/html/sf.asp>

- Complete the front of the form and submit it to your employing office. **Note:** if you plan to retire within 6 months, submit the form with your retirement application.
- Your **employing office** completes the remainder of the form and mails it to OPM.
- **OPM** computes the amount of your deposit (including interest) and mails you payment instructions and an official bill.
- You can pay the deposit in full or in installments of at least \$50.00. Payments must be made **directly to OPM**. You cannot pay the deposit through payroll deductions, but you can arrange for electronic funds transfer (EFT) payments from your bank account to OPM.
- Each time you make a deposit payment, OPM will send you a statement showing the new deposit balance. Keep these statements for your records because your deposit payments will not be reflected in the retirement contribution block of your Leave and Earnings Statements. Interest will continue to be charged on the unpaid balance until it is paid in full.
- Deposits may be paid before *or* after retirement, but must be completed before the final adjudication of your retirement claim. If the deposit is not paid in full before your retirement claim is finalized, OPM will send you a refund of the incomplete deposit (exception: incomplete deposits for CSRS deposit service performed before Oct 1, 1982).

