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Subpart E—Transfers of Contributions Under the Retroactive Provisions

§847.501 Purpose and scope.

This subpart regulates transferring retirement contributions and crediting those contributions to offset the employee costs in connection with elections section 1043(c)(2) of the National Defense Authorization Act for Fiscal Year 1996.

§847.502 Transfers to the CSR Fund.

For elections of CSRS or FERS coverage under §847.411 or FERS coverage and service credit under §847.421, the amount under §847.504 will be transferred to the Fund using the procedures established under §847.506.

§847.503 Transfers from the CSR Fund.

For elections of NAFI retirement system coverage under §847.441, the amount under §847.504 will be transferred from the Fund using the procedures established under §847.506.

§847.504 Amount of transfer.

(a) All transfers must include employee contributions with interest, if not previously refunded, and Government contributions for civilian service which becomes creditable under the elected retirement system due to an election under §§847.411, 847.421, and 846.441.

(b) If the employee has withdrawn his or her contributions to the retirement system, the amount required by paragraph (a) of this section, less the amount refunded, will be transferred.

§847.505 When transfer occurs.

(a) OPM, the Department of Defense, and the U.S. Coast Guard will transfer the amount specified in §847.504 as soon as practicable after receipt of an election of retirement coverage under subpart D of this part.

(b) The transfer of contributions may not be delayed until the employee retires or separates from service.

§847.506 Procedures for transfer.

OPM, the Department of Defense, and the U.S. Coast Guard will jointly determine the procedure for transfer of contributions.

§847.507 Earnings after transfer.

Amounts transferred to the Fund under §847.502 that are used to determine the deficiency under §847.604 accrue interest at the rate prescribed under §841.603 of this chapter from the date of receipt in OPM through the date determined under §847.603 (pertaining to the date of calculation of any deficiency).

Subpart F—Additional Employee Costs Under the Retroactive Provisions

§847.601 Purpose and scope.

(a) The purpose of this subpart is to establish the methodology that OPM will use to determine—

(1) The cost of an employee's election under §847.411 or §847.421; and

(2) The amount by which annuity payments may be affected as a result of the election.

(b) This subpart applies only to CSRS and FERS benefits. The Departments of Defense, and the U.S. Coast Guard will issue regulations providing methodologies for NAFI's under their jurisdictions.

§847.602 Present value factors.

(a) OPM publishes the following tables (available at personnel and payroll offices):

(1) One table of present value factors for all CSRS annuities;

(2) One table of present value factors for FERS annuities that do not receive cost-of-living adjustments before the retiree attains age 62; and

(3) One table of present value factors for FERS annuities that receives cost-of-living adjustments before the retiree attains age 62.

(b)(1) Each present value factor will equal the amount of money (earning interest at an assumed rate) required at the date of computation to fund an annuity that starts out at the rate of $1 a month and is payable in monthly

installments for the annuitant's lifetime based on mortality rates for annuitants paid from the Fund; and increases each year, assuming a certain rate of inflation.

(2) Interest, mortality, and inflation rates used in computing the present value are those used by the Board of Actuaries of the Civil Service Retirement System for valuation of CSRS and FERS, based on dynamic assumptions.

(3) The present value factors are unisex factors obtained by averaging distinct present value factors, which take into account mortality for retirees and survivors under CSRS and FERS.

(c)(1) When OPM publishes in the FEDERAL REGISTER notice of normal cost percentages under § 841.407 of this chapter, it will also publish the CSRS and FERS tables of present value factors for use for this part.

(2) The present value factors will be based on the assumptions used to compute the normal cost percentages.

(3) Changes in the tables of present value factors will be effective on the first day of the month in which the changes in the normal cost percentages become effective.

§ 847.603 Date of present value and deficiency determinations.

(a) For determining the deficiency under § 847.604, OPM will determine, under §§ 847.605 through 847.607, the present values of future retirement benefits (with and without credit for the NAFI service) as of the first date on which inclusion of credit for the NAFI service will affect the rate of annuity payable.

(b) Appendix A to this subpart contains a table in which the left column is a list of events for which inclusion of credit for the NAFI service will affect the rate of annuity payable and the right column indicates the date on which the deficiency will be determined.

§ 847.604 Methodology for determining deficiency.

(a) When an event listed in the left column of the table in Appendix A to this subpart occurs, OPM will compute the deficiency, as follows:

(1) As of the date of computation under § 847.603, OPM will determine—

(i) The present value of the annuity including credit for the NAFI service under § 847.605;

(ii) The present value of the annuity without credit for the NAFI service under § 847.606 or § 847.607, as applicable; and

(iii) The amount credited to the employee from a transfer to the Fund under subpart E of this part including earnings under § 847.507.

(2) OPM will add the amount determined under paragraphs (a)(1)(ii) and (iii) of this section and subtract that sum from the amount determined under paragraph (a)(1)(i) of this section.

(b) If the amount determined under paragraph (a)(2) of this section is greater than zero, the deficiency is equal to that amount.

(c) If no event listed in the left column of the table in Appendix A to this subpart occurs—that is, the additional service credit does not cause an increase in an employee annuity or a survivor annuity actually paid—or, if the amount determined under paragraph (a)(2) of this section is less than or equal to zero, the deficiency equals zero.

§ 847.605 Methodology for determining the present value of annuity with service credit.

(a) OPM will determine the present value of the annuity including service credit for NAFI service under paragraph (b) or (c) of this section.

(b) In cases in which the annuity is payable to a retiree, the present value under paragraph (a) of this section equals the monthly annuity rate including credit for the NAFI service as of the date of computation under § 847.603 times the present value factor for the retiree's age on that date.

(c) In cases in which the annuity is payable to a survivor, the present value under paragraph (a) of this section equals the monthly annuity rate including credit for the NAFI service as of the date of computation under § 847.603 times the present value factor for the survivor's age on that date.

§ 847.606 Methodology for determining the present value of annuity without service credit—credit not needed for title.

(a) If credit for the NAFI service is not necessary to provide title to an annuity payable on the date of computation under § 847.603, OPM will determine the present value of the annuity without credit for the NAFI service under paragraph (b) or (c) of this section.

(b) In cases in which the annuity is payable to a retiree, the present value under paragraph (a) of this section equals the monthly annuity rate without credit for the NAFI service as of the date of computation under § 847.603 times the present value factor for the retiree's age on that date.

(c) In cases in which the annuity is payable to a survivor, the present value under paragraph (a) of this section equals the monthly annuity rate including credit for the NAFI service as of the date of computation under § 847.603 times the present value factor for the survivor's age on that date.

§ 847.607 Methodology for determining the present value of annuity without service credit—credit needed for title.

(a) If credit for the NAFI service is necessary to provide title to an annuity payable on the date of computation under § 847.603, OPM will determine the present value of the annuity without credit for the NAFI service under paragraph (b) or (c) of this section.

(b)(1) In cases in which the annuity is payable to a retiree, the present value under paragraph (a) of this section equals the present value of the deferred annuity without credit for the NAFI service as of the deferred annuity date discounted for interest to that date determined under § 847.603.

(2) The present value of the deferred annuity without credit for the NAFI service as of the deferred annuity date equals the retiree's monthly annuity rate without credit for the NAFI service as of the deferred annuity date times the present value factor for the retiree's age on that date.

(3) The present value under paragraph (b)(2) of this section is discounted for interest by dividing that amount by a factor equal to the value of exponential function in which—

(i) The base is one plus the assumed interest rate under § 841.405 of this chapter on the date determined under § 847.603, and

(ii) The exponent is one-twelfth of the number of months between the date determined under § 847.603 and the deferred annuity date.

(c) In cases in which the annuity is payable to a survivor, the present value under paragraph (a) of this section equals zero, that is, no survivor annuity would ever become payable without credit for the NAFI service.

§ 847.608 Reduction in annuity due to deficiency.

Any annuity payable in the case of an employee who has made an election under subpart D of this part will include credit for the NAFI service. The monthly annuity rate on the date determined under § 847.603 will be permanently reduced by an amount equal to the amount of any deficiency divided by the present value factor for the annuitant's age on that date.

APPENDIX A TO SUBPART F OF PART 847—LIST OF EVENTS FOR WHICH INCLUSION OF NAFI SERVICE MAY AFFECT THE RATE OF ANNUITY PAYABLE

Type of event	Date deficiency will be determined
CSRS or FERS nondisability retirement.	Commencing date of annuity.
CSRS disability retirement	Commencing date of annuity.[1]
FERS disability retirement	First day of month following 62nd birthday.[2]
CSRS death in service	Commencing date of survivor annuity.[3]
FERS death in service	Commencing date of survivor annuity.
FERS death of disability annuitant prior to age 62.	Commencing date of survivor annuity.
FERS death of separated employee.	Commencing date of survivor annuity.
CSRS or FERS redetermination of annuity.	Commencing date of redetermined annuity benefit.

[1] Disability annuity with and without credit for NAFI service must be computed. If annuity payable under each computation is identical due to guaranteed minimum annuity, then deficiency is zero.

[2] Generally, the date the deficiency is determined will be the disability retiree's 62nd birthday. However, if an annuity benefit based on the retiree's actual years of service and salary becomes payable prior to age 62, the deficiency is computed at that time.

[3] Deficiency amount could be zero if survivor is eligible for the guaranteed minimum annuity amount under both computations.

Subpart G—Computation of Benefits Under the Retroactive Provisions

§ 847.701 Purpose and scope.

This subpart establishes the methodology that OPM will use to determine benefit payable in connection with an election made under subpart D of this part.

§ 847.702 Lump-sum payments and refunds.

(a) Employee contributions with interest which are transferred to the Fund under subpart E of this part are included in any lump-sum credit or unexpended balance payable to the employee or the employee's survivors under subpart T of part 831 of this chapter or under part 843 of this chapter.

(b) Government contributions which are transferred to the Fund under subpart E of this part are not included in any lump-sum credit or unexpended balance and are not payable to the employee or the employee's survivors.

§ 847.703 Reductions in annuity.

The CSRS or FERS basic annuity of an employee or survivor who has elected retirement coverage under subpart D of this part is reduced in the following order—

(a) For age, if applicable, as provided under sections 8339(h) and 8415(f) of title 5, United States Code.

(b) For noncontributory service performed before October 1, 1982, if applicable, as provided under 5 U.S.C.A. 8339(i), note.

(c) For deficiency, as determined under subpart F of this part.

(d) To provide a survivor annuity to a spouse or former spouse, if applicable, as provided under sections 8339(j)(4) and 8419(a) of title 5, United States Code.

(e) Any other reductions which may apply.

§ 847.704 Maximum survivor annuity election.

The amount of the employee's benefit after reduction for any deficiency under § 847.608 is—

(a) For CSRS, the maximum amount that may be designated as the survivor base under section 8339 (j) or (k) to title 5, United States Code;

(b) For FERS, the employee annuity (for survivor benefit purposes) under sections 8416 through 8420 of title 5, United States Code.

§ 847.705 Cost-of-living adjustments.

Cost-of-living adjustments are applied to the rate payable to the retiree or survivor, including the reduction for any deficiency described in § 847.608.

PART 870—BASIC LIFE INSURANCE

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