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Subpart F—Computation of Interest

SOURCE: 52 FR 12132, Apr. 15, 1987, unless otherwise noted.

§ 841.601 Purpose.

This subpart regulates the computation of interest under the Federal Employees Retirement System (FERS).

§ 841.602 Definitions.

Contributions or *deductions* means the amounts deducted from an employee's pay or deposited as the employee's share of the cost of FERS.

Individual Retirement Record means the record of individual retirement deductions required by § 841.504.

Last year of service means the calendar year in which deductions stop on the Individual Retirement Record under consideration.

Unexpended balance means the unrefunded amount consisting of—

(a) Retirement deductions made from the basic pay of an employee under subpart E of part 841 of this chapter;

(b) Amounts deposited by an employee for periods of service (including military service) for which—

(1) No retirement deductions were made; or

(2) Deductions were refunded to the employee; and

(c) Interest compounded annually on the deductions and deposits at a rate which, for any calendar year, will be equal to the overall average yield to the Civil Service Retirement Fund during the preceding fiscal year from all obligations purchased by the Secretary of the Treasury during that fiscal year under section 8348(c), (d), and (e) of title 5, United States Code, as determined by the Secretary of the Treasury. Interest on deductions and deposits does not include interest—

(1) If the service covered by the deductions totals 1 year or less; or

(2) For a fractional part of a month in the total service.

Year of the computation means the calendar year when the unexpended balance is being computed.

§ 841.603 Rate of interest.

For calendar year 1985 and for each subsequent calendar year, OPM will publish a notice in the FEDERAL REGISTER to notify the public of the interest rate that will be in effect during that calendar year.

§ 841.604 Interest on service credit deposits.

(a) Interest on civilian service credit deposits is computed under § 842.305 of this chapter.

(b) Interest on military service credit deposits is computed under § 842.307 of this chapter.

[52 FR 12132, Apr. 15, 1987, as amended at 57 FR 32155, July 21, 1992]

§ 841.605 Interest included in the unexpended balance.

(a) Interest on each Individual Retirement Record is computed separately.

(b) For determining the amount of interest in the unexpended balance when none of the employee deductions have been returned (e.g., employee refunds or at the time of retirement), the amount of interest in the unexpended balance equals the sum of the amounts of interest applicable to each calendar year's deductions. The amount of interest on each calendar year's deductions equals the sum of—

(1) For the calendar year in which the deductions were taken—

(i) Except during the last year of service, the amount of the employee's deductions for that calendar year times the rate of interest set under § 841.603 for that calendar year times the fraction whose numerator is the number of full months when deductions were withheld and whose denominator is 24;

(ii) During the last year of service, the amount of the employee's deductions for that year times the rate of interest set under § 841.603 for that year times the fraction—

(A) Whose numerator equals the sum of—

(1) One half times the number of months (fractional months rounded up) of that year during which the employee was employed;

(2) One for each full month of that year after the employee's service terminated; and

(B) Whose denominator is 12.