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(2) For each calendar year after the year when the deductions were withheld but before the calendar year of the computation, the amount of the employee's deductions plus interest for prior years, times the rate of interest set under §841.603 for that year; and

(3) For the year of the computation—

(i) If it is not the same calendar year that the deductions were withheld, the amount of the employee's deductions plus interest for prior years, times the rate of interest set under §841.603 for that year times the fraction whose numerator is the number of full months that have been completed in the year of the computation and whose denominator is 12; or

(ii) If it is the same calendar year that the deductions were withheld, 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.

(c)(1) For adding interest to the unexpended balance after retirement, the unexpended balance including interest computed under paragraph (b) of this section is computed as of the time of retirement.

(2) Each month after retirement, the unexpended balance is reduced by the amount of annuity paid and interest is added to the remaining portion at the rate computed as follows:

(i) Add one to the interest rate under §841.603 for the current year.

(ii) Raise the sum produced under paragraph (c)(2)(i) of this section to the 1/12 power.

(iii) Subtract one from the result of paragraph (c)(2)(ii) of this section to produce the interest rate for the month.

(d)(1) Interest on payments of the unexpended balance will be paid for the month unless the payment has been authorized before the 5th workday before the end of the month (excluding the 31st day of 31-day months).

(2) For the purposes of paragraph (d)(1) of this section, payment is authorized when the person with authority to approve the claim approves payment.

§841.606 Interest on survivor reduction deposits.

Interest on deposits under subpart F of part 842 of this chapter is compounded annually and accrued monthly.

(a) The initial interest on each monthly difference between the reduced annuity rate and the annuity rate actually paid equals the amount of the monthly difference times the difference between—

(1) One and six tenths raised to the power whose numerator is the number of months between the date when the monthly difference in annuity rates occurred and the date when the initial interest is computed and whose denominator is 12; and

(2) One.

(b) The total initial interest due is the sum of all of the initial interest on each monthly difference computed in accordance with paragraph (a) of this section.

(c) Additional interest on any uncollected balance will be compounded annually and accrued monthly. The additional interest due each month equals the remaining balance due times the difference between—

(1) One and six tenths raised to the 1/12 power; and

(2) One.

§841.607 Interest on overpayment debts.

Interest on overpayment debts is computed under §845.205(b).

Subpart G—Cost-of-Living Adjustments

SOURCE: 55 FR 14229, Apr. 17, 1990, unless otherwise noted.

§841.701 Purpose and scope.

(a) The purpose of this subpart is to regulate computation of cost-of-living adjustments (COLA's) for basic benefits

under the Federal Employees Retirement System (FERS).

(b) This subpart provides the methodology for—

(1) Computing COLA's on each type of FERS basic benefit subject to COLA's; and

(2) Computing COLA's on annuities partially computed under FERS and partially computed under the Civil Service Retirement System (CSRS).

(c) COLA's on children's annuities are not covered by this subpart because COLA's on children's annuities are computed under CSRS rules.

§ 841.702 Definitions.

In this subpart—

Annuity supplement means the benefit under subpart E of part 842 of this chapter. An *annuity supplement* is only payable to retirees.

Basic annuity means the benefits computed under subpart D of part 842 of this chapter and payable to retirees.

Basic employee death benefit means the basic employee death benefit as defined in § 843.102 of this chapter.

Beneficiary of insurable interest annuity means a person receiving a recurring benefit under FERS that is payable (after the employee's, Members, or retiree's death) to a person designated to receive such an annuity under § 842.605 of this chapter.

COLA means a cost-of-living adjustment.

Combined CSRS/FERS annuity means the recurring benefit with a CSRS component and a FERS component. A ''combined CSRS/FERS annuity'' is only payable to a retiree who as an employee elected to transfer to FERS under part 846 of this chapter, who at the time of transfer had at least 5 years of service creditable under CSRS (excluding service that was subject to both social security and partial CSRS deductions), and who was covered by FERS for at least 1 month.

CSRS means the Civil Service Retirement System as described in subchapter III of chapter 83 of title 5, United States Code.

CSRS component means the portion of a combined CSRS/FERS annuity that is computed under CSRS rules.

Current spouse annuity means a current spouse annuity as defined in § 842.602 of this chapter.

Disability retiree means a retiree who retired under part 844 of this chapter.

Effective date means the date annuities increased by a COLA begin to accrue at the higher rate.

FERS means the Federal Employees Retirement System as defined in chapter 84 of title 5, United States Code.

FERS component means the portion of a combined CSRS/FERS annuity computed under FERS rules.

Former spouse annuity means a former spouse annuity as defined in § 842.602 of this chapter.

Initial monthly rate means the monthly annuity rate that a retiree (other than a disability retiree) is entitled to receive at the time of retirement (as defined in § 842.602 of this chapter).

Percentage change means the percent change in the price index as defined in section 8462(a)(2) of title 5, United States Code.

Retiree means a retiree as defined in § 842.602 of this chapter.

Survivor means a person receiving a current spouse annuity or a former spouse annuity, or the beneficiary of an insurable interest annuity. As used in this subpart, ''survivor'' does not include a child annuitant.

Survivor supplement means the recurring benefit payable to a survivor under § 843.308 of this chapter.

§ 841.703 Increases on basic annuities and survivor annuities.

(a) Except as provided in §§ 841.704, 841.706, and 841.707, and paragraph (e) of this section, COLA's on basic annuities and survivor annuities are the greater of—

(1) One dollar per month; or

(2)(i) If the percentage change is less than 2 percent, the percentage change;

(ii) If the percentage change is at least 2 percent and not greater than 3 percent, 2 percent; and

(iii) If the percentage change exceeds 3 percent, 1 percentage point less than the percentage change.

(b) After survivor annuities commence, they are subject to COLA's computed under paragraph (a) of this section, even if they are based on a