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to the midpoint of the 24-month installment period, or if paid in a lump sum, the date the deposit is paid.

(ii) For individuals who will have a CSRS component, the deposit will be computed as specified in 5 CFR 831.306(e)(2)(i) and (ii)(A).

(iii)(A) OPM will notify annuitants and survivors of the amount of the deposit and give them a proposed installment schedule for paying the deposit from monthly annuity payments. The proposed installment payments will consist of equal monthly payments that will not exceed a period 24 months from the date a complete written application is received by OPM.

(B) The annuitant or survivor may allow the deposit installments to be deducted from his or her annuity as proposed or make payment in a lump sum within 30 days from the date of the notice.

(C) Increased annuity payments will begin to accrue the first day of the month after OPM receives the complete written application.

(iv) If an annuitant dies before completing the deposit installment payments, the remaining installments will be deducted as established for the annuitant from benefits payable to the survivor annuitant (but not if the only survivor benefit is payable to a child or children of the deceased), if any. If no survivor annuity is payable, OPM may collect the balance of the deposit from any lump sum benefits payable or from the decedent's estate, if any.

(3) *Computing the deposit for former Federal employees separated after December 31, 1968 but before November 6, 1990.* For former employees with title to a deferred annuity that commences after November 6, 1990, the deposit will be computed as provided in paragraph (i)(2) above, except that interest will be computed through the commencing date of annuity or the date the deposit is paid, whichever comes first.

[52 FR 18193, May 14, 1987, as amended at 56 FR 55597, Oct. 29, 1991; 56 FR 65419, Dec. 17, 1991]

§ 842.306 Military service.

(a) Except as provided in paragraph (b), and unless otherwise provided under title III of the Federal Employees' Retirement System Act of 1986, an employee's or Member's military service is creditable if it was performed—

(1) Before January 1, 1957; or

(2) After December 31, 1956, subject to payment, before separation from service, of the deposit required by § 842.307.

(b) Credit for a period of military service is not allowed if the employee or Member is receiving military retired pay for such period awarded for reasons other than—

(1) Service-connected disability incurred in combat with an enemy of the United States;

(2) Service-connected disability caused by an instrumentality of war and incurred in the line of duty during a period of war (within the meaning of chapter 11 of title 38, United States Code); or

(3) Retirement under chapter 67 of title 10, United States Code.

(c) When adjudicating annuity claims, OPM will accept determinations made by the agency that authorized military retired pay concerning—

(1) The effective date of a waiver of military retired pay;

(2) Whether an individual's military retired pay was awarded for any of the reasons mentioned under paragraph (b) of this section; and

(3) Whether a period of military service forms the basis for military retired pay.

(d)(1) Except as provided in paragraphs (d)(2) and (d)(3) of this section, the computation of a survivor's annuity includes credit for any military service allowable under paragraph (a) of this section.

(2) If the separated employee (as defined in § 843.102 of this chapter) was awarded military retired pay, died after the date of separation from civilian service, and did not waive military retired pay effective before the date of death, military service upon which the military retired pay was based is not creditable.

(3) If the survivor of a deceased employee who had been awarded military retired pay files, in a form prescribed by OPM, an election not to have a period of military service included in the computation of survivor benefits, that period of military service is not included in the computation of survivor benefits.

§ 842.307 Deposits for military service.

(a) *Eligibility to make a deposit.* (1) An employee or Member subject to FERS may make a deposit for any distinct period of military service by filing an application in a form prescribed by OPM.

(2) An application to make a deposit is filed with the appropriate office in the employing agency, or, for Members and Congressional employees, with the Secretary of the Senate, or the Clerk of the House of Representatives, as appropriate.

(3) An employee's or Member's deposit for military service must be completed before separation from service. If a deceased employee or Member was, at the time of death, eligible to make a deposit, the employee's or Member's survivor may make the deposit in one lump sum to the former employing agency, the Secretary of the Senate or the Clerk of the House of Representatives, before OPM completes adjudication of the survivor annuity application. A person who was eligible to make a deposit for military service but failed to complete the deposit within the time limits provided in this paragraph, may complete the deposit in a lump sum within the time limit set by OPM when it rules that an administrative error has been made.

(b) *Amount of deposit.* (1) The amount of a deposit for military service equals 3 percent of the basic pay for the service under 37 U.S.C. 207, or an estimate of the basic pay (see paragraph (c)(1)(iii) of this section), plus interest, unless interest is not required under paragraph (b)(4) of this section.

(2) Interest is charged at a rate as determined by the Secretary of the Treasury for each calendar year that equals the overall average yield to the Fund during the preceding fiscal year from all obligations purchased by the Secretary during such fiscal year under 5 U.S.C. 8348(c), (d), and (e).

(3) The computation of interest is on the basis of 30 days to the month. Interest is computed for the actual calendar time involved in each case; but whenever applicable, the rule of average applies.

(4) Interest is computed from the mid-point of each full period of service included in the computation. The interest accrues annual on the outstanding portion beginning on the second anniversary of the employee's or Member's beginning date of coverage under FERS, and is compounded annually, until the portion is deposited. Interest is charged to the date of deposit. No interest will be charged if the deposit is completed before the end of the year after interest begins. For example, if an employee becomes subject to FERS on March 1, 1988, interest begins to accrue on March 1, 1990; however, no interest would be included in the deposit due if the deposit is completed by February 28, 1991.

(c) *Processing deposit applications and payments.* (1) The agency, Clerk of the House of Representatives, or Secretary of the Senate will have the employee or Member—

(i) Complete an application to make deposit;

(ii) Provided a copy of his or her DD Form 214 or its equivalent to verify the period(s) of service; and

(iii) Provide copies of all official military pay documents, as identified in instructions issued by OPM, which show the exact basic pay he or she received for full period of service; or, if such evidence is not available, obtain a statement of estimated earnings from the appropriate branch of the military service and submit the statement.

(2) Upon receipt of the application, the DD Form 214, and either the evidence of exact basic pay or the statement of estimated earnings, the agency, Clerk of the House of Representatives, or Secretary of the Senate will establish a deposit account showing—

(i) The total amount due, including interest, if any;

(ii) A payment schedule (unless deposit is made in a lump sum); and

(iii) The date and amount of each payment.

(3) Deposits may be made in a single lump sum or in installments. The agency, Clerk of the House of Representatives, and Secretary of the Senate are not required to accept installment payments in amounts less than $50.

(4) Payments received by the employing agency, the Clerk of the House of Representatives, or the Secretary of the Senate will be remitted to OPM for deposit to the Fund in accordance with