§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—

(A) 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; or

(B) 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—

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

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

(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 times the fraction—

(A) Whose numerator equals the sum of—

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

(ii) 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.