

CSRS

Civil Service
Retirement
System

Retirement Facts 10



Voluntary Contributions Under the Civil Service Retirement System



**United States
Office of
Personnel
Management**

Retirement and
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Additional retirement information and all publications of the U.S. Office of Personnel Management listed in this pamphlet are available on the Internet.

OPM Website — <http://www.opm.gov/asd>

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Introduction

The pamphlet contains general information about voluntary contributions. For more detailed information, you should contact your current employing or personnel office.

Eligibility

If you are an employee covered by the Civil Service Retirement System (CSRS) or the CSRS Offset provisions and you want to receive a larger annuity than would be payable based on your service and “high-3,” you may establish a voluntary contribution account to purchase additional annuity. However, if you owe a deposit or redeposit for civilian service that wasn’t covered by retirement or for which you received a refund, you will be eligible to make voluntary contributions only after the deposit or redeposit is paid. Also, if you previously made voluntary contributions and received a refund of those contributions, you may not make voluntary contributions again, unless you had a break in service after receiving the refund.

If you are covered by the Federal Employees Retirement System (FERS), you are not eligible to make voluntary contributions. You may, however, retain funds on account that you deposited while subject to the CSRS.

Amount of Additional Annuity

At retirement, each \$100 in your voluntary contributions account (including interest earned) will provide an additional annuity of \$7 a year, plus 20 cents for each full year you are over age 55 at the time you retire. You may also choose to share the additional annuity by electing to provide a survivor annuity. However, your additional annuity would then be reduced by 10 to 40 percent depending on the difference between your age and the age of the person designated to receive the survivor annuity. Any person, related or unrelated to you, may be

designated, and need not be the same person for whom regular survivor annuity benefits were elected.

Note: Voluntary contributions annuities are not increased by cost of living increases.

Interest

Voluntary contributions earn a variable interest rate determined by the Treasury Department each calendar year, based on the average yield of new investments purchased by the Retirement Fund during the previous fiscal year. The interest credited to each voluntary contributions account is compounded annually on December 31.

Interest accrues to the date of the refund calculation, separation (including retirement), or transfer to a position not subject to CSRS, whichever is earliest. If you expect to be leaving Federal service, you can avoid having a period of time during which your funds are not earning interest by planning ahead. Use the expedited procedure described later in this pamphlet.

If you separate from Federal service with entitlement to a deferred annuity at age 62, interest continues to accrue to the beginning date of your annuity or death, whichever is earlier. However, if you separate from Federal service with entitlement to a deferred annuity at age 62 and request a refund of your voluntary contribution account, interest will only be paid to the date of your separation regardless of whether you receive a deferred annuity.

Limitations on Voluntary Contributions

Voluntary contributions may be made only in amounts of \$25 or in multiples of \$25 (\$50, \$75, etc.). Total contributions may not exceed 10 percent of the total basic pay you received during all

of your Federal service. The 10 percent limit test applies at each point of time that a deposit is made and is not based upon a projection of life-time earnings.

Refund of Voluntary Contributions

You may withdraw all voluntary contributions with interest at any time before receiving an annuity based on those contributions. If you die while still in Federal service (or after leaving but before you begin to receive annuity benefits), the voluntary contributions account, plus interest, will be paid to your survivors as a lump-sum payment. Please see the information on expediting refunds of voluntary contributions below.

If you die after retirement, but before having received additional annuity payments equal to your voluntary contributions plus interest, the difference will be paid either as a lump sum or in additional survivor annuity payments, depending upon your election at retirement.

Federal Taxation of Voluntary Contributions

If you take a refund of voluntary contributions, any accrued interest is taxable in the tax year in which you receive it. In addition, if you receive the refund before you reach age 59½, the interest portion of the refund is subject to an additional 10 percent early distribution tax.

Payments to survivors are not subject to the 10 percent tax. To determine whether the 10 percent tax applies, you should get the Internal Revenue Service Form 5329 (and instructions) from your local Internal Revenue Service office. The interest portion of the refund is eligible for rollover treatment.

If you will receive an additional annuity as a result of your voluntary contributions, it will be taxed

under the “General Rule.” Please refer to IRS Publication 721—“*Comprehensive Tax Guide to U.S. Civil Service Benefits*” for further information or call IRS at (800) 829-3676.

Expediting Refunds of Voluntary Contributions

You can elect to roll over the interest to an Individual Retirement Account (IRA), or other qualified retirement plan, to defer income tax. To expedite payment, you may submit your rollover election with your refund request. Complete a Voluntary Contributions Election form, RI 38-124 and send it directly to the U.S. Office of Personnel Management (OPM) to the address given on the form. Contact your agency personnel office to obtain this form, and the explanation form RI 38-125, Voluntary Contributions Notice. Since interest accrual generally stops at separation, if you are retiring you should submit your refund request to OPM at least 60 days before retirement.

Application Form and Payments

If you want to make voluntary contributions, you must file a Standard Form 2804 (Application to Make Voluntary Contributions) with your agency personnel office. After the application is forwarded to the U.S. Office of Personnel Management (OPM) by your agency and approved, OPM will assign you an account number, and send instructions for making contributions.

Do not send money with your application. Contributions will not be accepted until the application is approved. OPM will not approve an application from you if (1) you have not deposited amounts covering all civilian service, or (2) you have previously received a refund of voluntary contributions, unless you were separated for more than 3 calendar days, and were again employed under the Civil Service Retirement System after the refund was paid.

Additional Information

You may obtain copies of the pamphlets listed below from your personnel office, from OPM's Website (<http://www.opm.gov/asd>), or from OPM ONLINE (OPM's electronic bulletin board) at 202-606-4800. To access OPM ONLINE, your communications software should be set to the following:

Baud: Up to 28,800
Parity: None
Data bits: 8
Stop bit: 1

The pamphlets in the Retirement Facts Series, which provide more detailed information about the Civil Service Retirement System (CSRS), are:

- ***Retirement Facts #1*** - The Civil Service Retirement System (RI 83-1)
- ***Retirement Facts #2*** - Military Service Credit Under the Civil Service Retirement System (RI 83-2)
- ***Retirement Facts #3*** - Deposits and Redeposits Under the Civil Service Retirement System (RI 83-3)
- ***Retirement Facts #4*** - Disability Retirement Under the Civil Service Retirement System (RI 83-4)
- ***Retirement Facts #5*** - Survivor Benefits Under the Civil Service Retirement System (RI 83-5)
- ***Retirement Facts #6*** - Early Retirement Under the Civil Service Retirement System (RI 83-6)
- ***Retirement Facts #7*** - Computing Retirement Benefits Under the Civil Service Retirement System (RI 83-7)

- ***Retirement Facts #8*** - Credit for Unused Sick Leave Under the Civil Service Retirement System (RI 83-8)
- ***Retirement Facts #9*** -Refunds Under the Civil Service Retirement System (RI 83-9)
- ***Retirement Facts #10*** - Voluntary Contributions Under the Civil Service Retirement System (RI 83-10)
- ***Retirement Facts #11*** - Information for Separating Civil Service Retirement System Employees Who Are Not Eligible for an Immediate Annuity (RI 83-13)
- ***Retirement Facts #12*** - Information About Reemployment for Civil Service Retirement System Annuitants (RI 83-18)
- ***Retirement Facts #13*** - CSRS Offset Retirement (RI 83-19)
- ***Retirement Facts #14*** - Law Enforcement and Firefighter Civil Service Retirement System Retirement (RI 83-20)

Pamphlets applicable to employees in both the Civil Service Retirement System and Federal Employees Retirement System are:

- Court-Ordered Benefits for Former Spouses (RI 84-1)
- Work-Related Injuries and Fatalities — What You and Your Family Need to Know About Your Benefits (RI 84-2)
- Life Events and Your Retirement and Insurance Benefits (For Employees) (RI 84-3)
- Thinking About Retirement? (RI 83-11)

Publications for employees who are under the Federal Employees Retirement System (FERS) are:

- FERS Brochure (An Overview of Your Benefits) (RI 90-1)
- ***FERS Facts #1*** - Information for Separating FERS Employees Who Are Not Eligible for an Immediate Annuity (RI 90-11)
- ***FERS Facts #2*** - Information About Reemployment for FERS Annuitants (RI 90-18)

For employees who are eligible to transfer to the FERS:

- FERS Transfer Handbook (A Guide to Making Your Decision) (RI 90-3)

Pamphlets on the Federal Employees Health and Life Insurance Programs are:

- Federal Employees Health Benefits Guide (RI 70-1)
- Temporary Continuation of Coverage (TCC) under the Federal Employees Health Benefits Program (RI 79-27)
- Federal Employees Group Life Booklet (RI 76-21)

Retirement & Insurance Service



*Serving over 10 million customers, Federal employees,
annuitants, and their families.*