



*United States*  
*Office of Personnel Management*  
*Retirement and Insurance Service*

**Benefits Administration Letter**

Number: 99-101

Date: January 6, 1999

**Subject:** Common Problems Encountered in Documentation for Retirements Under the Federal Employees Retirement System (FERS)

This Benefits Administration Letter (BAL) shares information on some of the problems OPM has encountered with FERS applications for retirement and survivor benefits, and supporting documentation, and suggests ways to avoid these problems. When we do not receive the correct application or all of the documentation needed to process a retirement claim, we must obtain the missing information. In each instance where this occurs, the primary result is a delay in authorizing payments to the applicant. We believe the attached information will eliminate any confusion that may still exist concerning the proper application to use and the documentation required in support of an application for retirement or survivor benefits.

Attachment 1 contains 13 sections, which outline specific problems we have encountered, as well as suggestions on how to avoid the problem. Each section also provides the appropriate CSRS/FERS Handbook reference(s). The sections cover the following subjects:

<b>Section Number</b>	<b>Subject</b>
Section 1	FERS Disability and Social Security Benefits
Section 2	FERS Retirements and OWCP
Section 3	FERS Disability Retirements Involving Deposits and Redeposits for Civilian Service
Section 4	The Last Day of Pay in FERS Disability Retirements
Section 5	Post-1956 Military Service Deposit
Section 6	Commencing Date of FERS Annuities
Section 7	Forms-Applications for Death Benefits
Section 8	FERS Death-in-Service With Basic Employee Death Benefit Payable - Deceased in Additional Pay Status (APS) at the Time of Death
Section 9	Life Insurance Eligibility
Section 10	Documenting Part-Time Service
Section 11	Requirements for Retiring With 5 Years of Service
Section 12	Crediting Sick Leave With a CSRS Component
Section 13	Federal Employees Health Benefits (FEHB) Documentation

*Civil Service  
Retirement  
System*

*Federal Employees  
Group Life  
Insurance*

*Federal Employees  
Health Benefits  
Program*

*Federal Employees  
Retirement  
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Attachment 2 contains two handouts that should be shared with employees contemplating disability retirement. They are “FERS Disability Facts” and “FERS Disability Computation Facts”. The handouts provide important information on FERS disability retirement. We have learned over time that there is still quite a bit of confusion surrounding certain aspects of FERS disability retirement. We believe the two handouts will help potential disability retirees better understand all aspects of FERS disability retirement.

We hope that by working together, we can eliminate many of the problems that cause delays in processing and improve the timeliness of service provided retirees and survivors.

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Assistant Director for  
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# FERS DISABILITY AND SOCIAL SECURITY BENEFITS

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- Problem** The most frequent Social Security problems that occur in FERS disability cases are:
- No documentation that the retiree has applied for SOCIAL SECURITY DISABILITY benefits is provided with the retirement application.
  - Incomplete or incorrect Social Security documentation is provided with the retirement application.
  - Retirees fail to keep OPM informed of changes in their Social Security disability status. A change in Social Security disability status can affect the retiree's payment.

Each of these situations can result in delayed payment and/or overpayment of benefits.

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- Rules**
- FERS disability benefits must be reduced when a retiree receives SOCIAL SECURITY DISABILITY benefits.
  - FERS disability applicants must apply for SOCIAL SECURITY DISABILITY benefits upon separating from their agency.
  - OPM must receive a copy of the SSA application receipt and a copy of the notice of approval (providing the effective date and monthly gross) or disapproval of SOCIAL SECURITY DISABILITY benefits.

NOTE: Supplemental Security Income (SSI) benefits from the Social Security Administration do not have any effect on FERS disability benefits. OPM only needs information about Social Security Disability benefits.

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**Example** Proof that the employee has applied for SSA DISABILITY benefits is not submitted along with the application for retirement.

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**Action by OPM and Agency** OPM must contact SSA and confirm whether the retiree has applied for Social Security disability benefits. OPM must contact the retiree and request that the retiree file for SSA disability benefit, if it's determined that they have not applied already. OPM must wait for confirmation before completing the processing of the retiree's application for retirement. Failure to receive this information could also impact the retiree's interim annuity payments.

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## FERS DISABILITY AND SOCIAL SECURITY BENEFITS, continued

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### **How to Avoid the Problem**

The agency should inform the employee of the requirement to apply for SSA disability benefits, that OPM must receive proof that the employee has applied, and that a copy of the SSA award or disapproval notice should be sent to OPM as soon as possible after it is received.

- A denial based on gainful employment is not adequate information for OPM. Usually this means the employee was still in a pay and duty status when he/she applied for Social Security benefits. If the employee is denied for gainful employment he/she must reapply to SSA after separation.
- A verbal denial from Social Security is not acceptable proof of application or a denial of SSA benefits. The retiree must insist upon receiving a written notice of receipt of the application and a formal denial letter.

The agency should make sure the employee understands the importance of keeping OPM informed of changes in Social Security disability status and the effect Social Security has on FERS disability annuity. This is very important because FERS disability annuity is subject to SSA offset until the retiree's 62<sup>nd</sup> birthday.

NOTE: The employee should also know that if SSA makes a retroactive award of disability benefits, OPM cannot adjust the FERS disability annuity until notified of the gross monthly amount and effective date of the SSA disability benefit. The employee should also be told that any retroactive payment from SSA will cause an overpayment of FERS disability annuity and that they should set aside a portion of any retroactive SSA award because OPM will be contacting them concerning recovery of the FERS annuity overpayment.

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### **CSRS/FERS Handbook References**

Chapter 60, Part B2, Section 1-1.  
Chapter 60, Part B6, Section 1-3.  
See the two handouts in Attachment 2. Reproduce and give them to employees considering FERS disability retirement.

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# FERS RETIREMENTS AND OWCP

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**Problem 1** OPM receives retirement packages for individuals who have also applied for or are receiving compensation from the Office of Worker's Compensation (OWCP) with no documentation indicating the current status of the OWCP application or award.

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**Rule 1** FERS retirees cannot receive total or partial disability benefits (non-scheduled compensation) from the Office of Workers' Compensation and FERS annuity at the same time. It is very important that the most current information on the status of the OWCP application or award be provided with the retirement package. No payment can be made until we know the current status of the application or the award.

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**Example 1** In January an individual files for FERS retirement and OWCP benefits simultaneously. The applicant completed the Schedule C, Federal Employees' Compensation Information section on the SF 3107, Application For Immediate Retirement, indicating that an application is pending with OWCP. In April, OPM is ready to begin final adjudication of the FERS claim. However, no additional information concerning OWCP benefits has been received.

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**Action by OPM and Agency** OPM must contact the OWCP and the retiree to request current information on the status of the OWCP claim.

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**How to Avoid Problem 1** The agency should advise the retiree to keep OPM informed of the status of their OWCP claim. This is true, even if the retiree intends to elect to receive OWCP benefits, instead of FERS benefits.

NOTE: If the agency becomes aware of any changes in the retiree's OWCP status they should notify OPM.

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## FERS RETIREMENTS AND OWCP, continued

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**Problem 2** FERS disability retirees are often not aware of how disability benefits are paid. If OWCP benefits stop more than one year after the effective date of eligibility for FERS disability annuity, the FERS disability will be paid at the rate of 40% of the average salary.

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**Rule 2** Usually FERS disability annuity is 60% of the “high-3” average salary less 100% of any Social Security disability benefit during the first year of entitlement to the FERS annuity, and 40% of the average salary less 60% of the Social Security disability benefit during the second and subsequent years before age 62. The election of OWCP benefits does not delay the adjustment of the FERS benefit after the first year.

NOTES: A FERS disability annuitant is entitled to the “earned annuity” (generally 1% x Average Salary x Years/Months of Service) without age reduction, if the “earned annuity” is greater than the disability annuity computed under the 60% or 40% formulas above. There is no adjustment after one year if the “earned annuity” is paid.

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**How to Avoid Problem 2** The agency should make every effort to ensure that employees retiring on account of disability understand that a FERS disability annuity is adjusted after one year and that the receipt of OWCP benefits does not delay the adjustment.

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**CSRS/FERS Handbook Reference** Chapter 102, Part A2, Section, 1-1.  
Chapter 61, B2.  
See examples in Chapter 61 for FERS disability sample computations.

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# FERS DISABILITY RETIREMENTS INVOLVING DEPOSITS AND REDEPOSITS FOR CIVILIAN SERVICE

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**Problem 1** There is some confusion about the importance of advising employees not yet age 62, who apply for disability retirement, about the consequences of making a deposit and/or redeposit. The FERS disability annuity rate payable to retirees under age 62 is normally based on a percentage of the individual's "high-3" average salary (60% reduced to 40% after one year). In these cases the years of service has no impact on the computation, unless the earned annuity rate is higher. However, when a retiree whose annuity is based on a percentage of their average salary reaches age 62, the annuity is recomputed using the individual's creditable years of service.

NOTE: Employees who apply for disability retirement also need to be informed of their right to make a deposit for any active honorable post-1956 military service. This is very important since the deposit must be made to the agency before separation. As with civilian service, paid post-56 military service will matter when the retiree becomes age 62 or is eligible to receive the earned annuity benefit.

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**Rule** Deposit and redeposit amounts should be calculated and the impact of paying or not paying for the service involved should be explained to the retiring employee.

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**Example 1** During retirement counseling no mention is made of the impact of paying or not paying a deposit and/or redeposit. The retiree first hears about the impact the deposit or redeposit will have on the annuity payable at age 62 when OPM completes the processing of the retiree's application for retirement. (The retiree has 30 days from the date of OPM's notice to pay the amount due.)

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## FERS DISABILITY RETIREMENTS INVOLVING DEPOSITS AND REDEPOSITS FOR CIVILIAN SERVICE, continued

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- Problem 2** Deposit service is often not properly documented on the “Certified Summary of Federal Service (SF 3107-1)”.
- The dates of deposit service are shown on the front of the SF 3107-1, but the rates of pay associated with the service are not provided on the reverse side of the form.
  - Information on deposit service shown on the front the SF 3107-1 often conflicts with information provided on the reverse side of the form.
  - Changes in basic rates of pay (i.e., pay adjustments, WIGIs, promotions, etc.) are often missing from the SF 3107-1.
  - Part-time service is often identified as full-time.
  - Periods of service are listed as part-time, but the tour of duty is not shown.
  - Intermittent and when-actually employed (WAE) service is commonly identified as full-time. The days or hours worked during intermittent and WAE service are often not provided.
  - Intermittent and WAE service is sometimes identified as part-time service.

OPM cannot provide retirees with information explaining their options in a timely manner when these problems occur.

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**Rule** A retiree has the option to pay any deposit/redeposit owed at the time of retirement. It is critical that the “Certified Summary of Federal Service (SF 3107-1)” always provides ALL the information needed to compute amounts due for any deposit and/or redeposit.

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**Example 2** A 45-year-old employee needs to retire under FERS disability rules. The employee has 16 years of covered service and 3 years of service under a FICA appointment. No ending date or rates of pay were provided for the FICA service.

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**Action by OPM and Agency** OPM must contact the agency to obtain the ending date for the FICA appointment and the basic rates of pay in effect during the period. The agency will need to review the Official Personnel Folder (OPF) for the information. This will cause a significant delay in the final processing of the retiree’s application for retirement.

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## FERS DISABILITY RETIREMENTS INVOLVING DEPOSITS AND REDEPOSITS FOR CIVILIAN SERVICE, continued

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### How to Avoid the Problems

The agency should:

- Make sure employees applying for disability retirement are aware of the consequences of paying or not paying for deposit and redeposit service.
  - Review the “Certified Summary of Federal Service (SF 3107-1)” to make sure it provides the beginning and ending dates and all of the earnings or rates of pay for each period of deposit service.
  - Ensure that the SF 3107-1 also provides all part-time tours of duty or hours worked and time worked for any intermittent or WAE service for each period of deposit service, when applicable.
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### CSRS/FERS Handbook Reference

Chapter 60, Part B1, Section 1-2.  
Chapter 20, Appendix A.  
Chapter 21, Part B.  
Chapter 22, Part B3, Section 1-1.  
Chapter 23, Part B.

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# THE LAST DAY OF PAY IN FERS DISABILITY RETIREMENTS

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**Problem** OPM uses the last day of pay (LDOP) certified by the agency to determine the commencing date of a disability annuity. Problems with LDOP that occur in FERS disability retirements are:

- Retiring employees do not understand that accepting donated leave may have an impact on their LDOP. Donated leave is often posted on the final SF 3100 in the pay period that it was paid, rather than the pay period for which it was intended, and the posting date is recorded as the LDOP. The posting date may occur many months after the actual LDOP.
  - The LDOP is sometimes not included on the SF 3100. This often occurs in situations where the employee resigns, is terminated or removed and subsequently applies and is approved for disability retirement.
  - The LDOP certified on the SF 3100 does not agree with other information provided (e.g. deductions do not support LDOP certified).
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**Rule** An annuity can begin as early as the day after the individual's pay stops. The agency must certify the correct last day of pay on the final SF 3100 in order for OPM to commence benefits on the earliest possible date.

NOTE: Agencies may credit donated leave retroactively, when the employee has been in a leave without pay (LWOP) status under 5 CFR 630.1009(d).

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**Example** An employee is placed in a LWOP status on December 12, 1997 and never returns to work. On August 12, 1998, 17 hours of donated leave were credited to the employee and the employee is later separated for disability retirement. The LDOP certified on the SF 3100 is 8/12/98. No LWOP is recorded on the SF 3100 for 1998, but \$2.44 in retirement deductions is shown for 1998.

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## THE LAST DAY OF PAY IN FERS DISABILITY RETIREMENTS, Continued

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**Action by OPM and Agency** OPM will question whether the LDOP is correct because related data (low retirement deductions and no LWOP entered for calendar year 1998) does not support the LDOP certified. OPM must contact the agency to resolve the problem.

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**How to Avoid the Problem** Suggestions for Personnel Office on how to avoid problems concerning donated leave:

- Credit the donated leave retroactively to the date the employee exhausted his/her unused leave balances.
- Advise employees applying for disability retirement of the consequences accepting donated leave may have on their annuity commencing date.

Suggestions for Payroll Office on how to avoid problems related to the LDOP:

- Verify the LDOP posted on the final SF 3100 for accuracy.
- If the SF 3100's show retirement deductions for any years after the year in which the LDOP occurs, correct or explain the reason on the SF 3100.
- Record the LDOP on all separation SF 3100's, including resignations, removals and terminations.
- Record all LWOP on the SF 3100's, regardless of duration. Only LWOP that occurred prior to the LDOP should be posted for the year in which pay stops.

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**CSRS/FERS Handbook Reference**

Chapter 81, Part A2, Section 3-2 and 3-3.

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# POST-1956 MILITARY SERVICE DEPOSIT

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**Problem** Often in FERS cases involving a CSRS component, the post-1956 military deposit is billed at the wrong rate.

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**Rule** In cases involving a CSRS component, the post-1956 military service deposit is billed at different rates, depending on whether the military service is credited under FERS or CSRS rules.

- If the post-1956 military service is credited under FERS rules, the deposit is 3%\*, plus interest.
- If the post-1956 military service is credited under CSRS rules, the deposit is 7%\*, plus interest.

\*This rate will increase for military service performed from January 1, 1999 through December 31, 2002, by the increase in employee deduction rates for these years, in accordance with Public Law 105-33, Balanced Budget Act of 1997. (See Benefits Administration Letter 97-106, dated August 13, 1997.)

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**Example** An employee wants to pay his post-1956 military deposit. The post-1956 military service was performed before the employee's election to transfer to FERS; therefore it is credited in the CSRS component of his annuity. The agency bills the employee for a deposit of 3% of the military earnings, plus interest. The SF 3100 documenting the military deposit comes to OPM at the time of retirement and OPM notices that the deposit was 3% of military earnings when it should have been 7% of military earnings.

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**Action by OPM and Agency** OPM must suspend processing the retiree's case and contact the former employing agency to correct the records. The agency must recompute the amount due and either bill the former employee for any additional money due, or refund any overpayment. The agency must also correct the original certification sent to OPM.

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**How to Avoid the Problem** Make sure that the correct rate is used when computing post-1956 military service deposits for FERS employees with CSRS components.

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**CSRS/FERS Handbook Reference** Chapter 23, Part B.

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# COMMENCING DATE OF FERS ANNUITIES

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**Problem** Many FERS employees separate from service for voluntary retirement on one of the first 3 days of the month and expect their annuity to begin on the next day. These retirees are surprised and often upset when they learn their annuity will not begin until the first day of the following month.

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**Rule** A FERS annuity based on a voluntary retirement generally commences on the first day of the month following separation. The rule that allows an annuity to begin on the 2<sup>nd</sup>, 3<sup>rd</sup> or 4<sup>th</sup> day of the month only applies to persons who retire under the Civil Service Retirement System.

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**Example** A FERS employee separates for optional retirement on August 3<sup>rd</sup> and expects her annuity to begin on August 4<sup>th</sup>. OPM completes her claim and sends her information stating her annuity began on September 1<sup>st</sup> – the first day of the following month. The retiree contacts OPM and challenges the commencing date of her annuity.

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**Action by OPM and Agency** OPM must explain to the retiree the rules governing the commencing date of a FERS annuity. If the retiree insists on being paid for the month of August, OPM must further explain that we can only change the commencing date of an annuity upon receipt of corrected records from the former employing agency.

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**How to Avoid the Problem** The agency should ensure that employees are aware of the FERS annuity commencing date rule, particularly if their separation occurs on the 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> day of the month.

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**CSRS/FERS Handbook Reference** Chapter 41, Part B2, Section 1-1.

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## FORMS – APPLICATIONS FOR DEATH BENEFITS

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**Problem** We continue to receive obsolete versions of the SF 3104 (Application for Death Benefits/FERS), SF 3104A (Survivor Supplement/FERS), and SF 3104B (Documentation and Elections in Support of Application for Death Benefits). The use of the obsolete editions of these forms delays payment to the survivor.

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**Rule** An individual who is applying for a survivor benefit should only use the current edition of these applications.

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**Example** The widow of an employee who dies in service completes and submits, with the help of the deceased's employing agency, the December 1991 edition of the SF 3104B. The widow is entitled to the Basic Employee Death Benefit (BEDB).

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**Action by OPM and Agency** OPM must suspend the processing of the widow's application and send her information on the IRA rollover option. OPM must then wait for the widow to make a decision and notify OPM of that decision. Often the wait can be lengthy.

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**How to Avoid the Problem** The agency should always make sure they provide applicants with the most recent edition of all applications. The most recent edition of the SF 3104B, Documentaion and Elections in Support of Application for Death Benefits, contains a detailed explanation of the rollover option and provides the forms needed to take advantage of this option.

Any edition of the SF 3104 (which includes the SF 3104A) dated before January 1997 is obsolete and should not be used. Prior editions of the SF 3104 do not contain correct direct deposit election information.

Any edition of the SF 3104B dated before December 1995 is obsolete and should not be used. Prior editions of this form do not contain IRA Rollover Option Information.

Current editions of the SF 3104 and SF 3104B are available on OPM's website at [www.opm.gov](http://www.opm.gov).

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**FORMS – APPLICATIONS FOR DEATH BENEFITS, continued**

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**References**

Benefits Administration Letter 98-102, dated March 2, 1998.  
*Availability of Revised FERS Death Benefit Application Form, SF 3104*

Benefits Administration Letter 96-113, dated December 26, 1996.  
*Availability of Revised FERS Death Benefit Application Forms, SF 3104 and SF 3104B*

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# FERS DEATH IN SERVICE WITH BASIC EMPLOYEE DEATH BENEFIT PAYABLE - DECEASED IN ADDITIONAL PAY STATUS (APS) AT THE TIME OF DEATH

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**Problem** Additional Pay Status (APS) on the date of death is not adequately documented. There may be an indication on the Individual Retirement Records (SF 3100s) that APS was worked during the year in which the employee died, but it is not clear whether the employee was in an APS **on the date of death**. This could affect the amount of the Basic Employee Death Benefit (BEDB) payable.

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**Rule** Part of the BEDB is based on 50% of the deceased employee's final salary or "high-3" average salary, whichever is higher. Both are based on the basic pay the deceased received on the date of death. APS is considered when computing basic pay. If the deceased was in APS during the final year of service, OPM needs to know the if the employee was in APS on the date of death.

- If the deceased employee **was not** in APS on the date of death, then the final salary is the basic pay on that date.
  - If the deceased employee **was** in APS on the date of death, then the final salary would be the higher of the basic pay computed using retirement deductions or the actual final salary. (The number of hours of Leave Without Pay (LWOP) for the year of death should also be reported, if applicable.)
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**Example** The surviving spouse of an employee who dies in service meets the eligibility requirements for the BEDB. The Individual retirement records (SF 3100's) forwarded with the survivor's application show the deceased employee was in APS during the year of death. However, the SF 3100's do not indicate whether the deceased was in APS on the date of death.

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**Action by OPM** When there is an indication of APS during the final year of service, OPM must contact the employing agency's payroll office to find out whether the deceased was in APS on the date of death.

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# FERS DEATH IN SERVICE WITH BASIC EMPLOYEE DEATH BENEFIT PAYABLE - DECEASED IN ADDITIONAL PAY STATUS (APS) AT THE TIME OF DEATH, continued

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**How to Avoid the Problem**

If the deceased employee is in APS during the **year** of death, indicate on the SF 3100 whether or not the deceased was in APS on the **date** of death.

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**CSRS/FERS Handbook Reference**

Chapters 70 Part B2.

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# LIFE INSURANCE ELIGIBILITY

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**Problem** Retirement packages often do not include the election forms needed to support the coverage certified on the Certification of Life Insurance Coverage (SF 2821). OPM needs this information to determine if the employee can continue basic and optional coverage. The processing of the retirement claim must be delayed until proof of continuous coverage is established.

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**Rule** The rule for continuing Federal Employees Group Life Insurance (FEGLI) coverage into retirement and the rule for properly documenting the coverage are:

- To continue FEGLI into retirement the retiree must have continuous FEGLI coverage for 5 years preceding separation, or his/her first opportunity to enroll. This applies to both basic and optional FEGLI.
- To properly document the 5 years of continuous FEGLI coverage (or enrollment from first opportunity), the agency must provide the FEGLI certification document (SF 2821) and copies of all of the FEGLI election forms (SF 2817). If there are no SF 2817's in cases where optional insurance is involved, the agency must provide copies of the appropriate Personnel Actions for the last 5 years. Usually this includes the SF 50's or equivalents showing FEGLI enrollment, any FEGLI changes and the retirement action.

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**Example** A retirement package arrives at OPM with a SF 2821, certifying coverage for the last 5 years. However, there is no supporting documentation to prove that the 5 years of continuous coverage requirement has been met.

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**Action by OPM and Agency** OPM must contact the agency to obtain the additional documentation.

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**How to Avoid the Problem** The agency should include all original Life Insurance forms with the retirement package. If the SF 2817's verifying the 5 years of continuous coverage (or coverage from first opportunity) are missing, copies of the SF 50's can be sent to document the coverage. If copies of SF 50's are sent, the agency should include a note explaining that the election forms are not on file.

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**CSRS/FERS Handbook References** Chapter 40, Job Aid #2, Life Insurance Forms. (Also see, *The FEGLI Handbook for Personnel and Payroll Offices* – formerly *FPM Supplement 870-1*.)

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# DOCUMENTING PART-TIME SERVICE

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**Problem** In many disability and regular retirements involving part-time service, the actual part time hours are not provided.

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**Rule** If a retiring employee's FERS service includes part-time service or if the employee's CSRS service includes part-time service on or after April 7, 1986, the agency must certify the tour of duty, the hours equal to a full-time tour of duty, and the hours worked for each calendar year.

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**Example** OPM receives a retirement package for an employee who worked part-time. The SF 3100 shows the part-time tour as 24 hours per week. However, the employee often worked 32 hours per week but the SF 3100 does not reflect this fact. The employee expects to receive an annuity that reflects the schedule actually worked. The retiree contacts OPM and questions the amount of his annuity.

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**Action by OPM and Agency** OPM uses the part-time tour information provided to determine the proration factor for the part-time service, computes the annuity and begins payment. (The FERS proration factor is computed by dividing the total actual hours worked by the total full-time hours that could have been worked.) OPM must contact the agency and request the actual hours worked by the individual for each year of part-time service. The agency must collect this data and send it to OPM. OPM recomputes the annuity and notifies the retiree.

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**How to Avoid the Problem** Agency personnel staff should:

- Explain to retiring employees, who worked part-time, how their annuity will be reduced for their part-time service.

Agency payroll staff should:

- Review all SF 3100's for employees who worked part-time, to insure they include the tour of duty, the hours equal to a full-time tour, and part-time hours actually worked.

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**CSRS/FERS Handbook References** Chapter 55, Part A4, Section 1-1. (Applicable CSRS provisions.)  
Chapter 55, Part B2, Section 1-1 (Computing FERS Annuities that Include Part-Time Service)  
Chapter 55, Part C1, Section 1-1 (FERS Proration Factor Worksheet)

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# REQUIREMENTS FOR RETIRING WITH 5 YEARS OF SERVICE

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**Problem** OPM receives applications for non-disability retirement from employees who have less than 5 years of creditable civilian service.

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- Rule**
- An employee must complete at least 5 years of creditable CIVILIAN service in order to be eligible for retirement.
  - Military service cannot be used to meet this requirement
  - Most post-1988 FERS nondeduction service is not creditable for retirement.
  - A deposit must be paid for Pre-1989 FERS nondeduction service in order for the service to be used to meet the 5-year requirement.
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**Example** A sixty-two year old federal employee wants to retire. He has 3 years in a FERS-covered position, 1 year and 6 months of paid post-1956 military service, and 6 months of noncovered service under a temporary appointment. The agency separates him for retirement and forwards his retirement package to OPM.

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**Action by OPM and Agency** The retirement claim must be denied because the eligibility requirements for a FERS retirement are not met. OPM contacts the individual and the agency to inform them of the error. The agency may be required to reinstate the employee retroactive to the separation date with pay.

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**How to Avoid the Problem** The agency should thoroughly review an employee's service history to make sure the minimum service requirement has been met. Although the employee may have 5 years of total service, there must be a minimum of 5 years of creditable CIVILIAN service in order to retire.

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**CSRS/FERS Handbook References** Chapter 41, Part B1, Section 1-2.  
Chapter 45, Part B1, Section 1-2.  
Chapter 20, Part B.

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# CREDITING SICK LEAVE WITH A CSRS COMPONENT

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- Problems**
- A retiring employee's Unused Sick Leave (USL) balance on the date of transfer to FERS is not posted on the frozen SF 2806, Individual Retirement Record.
  - A retiring employee's Unused Sick Leave (USL) balance on the date of retirement is not posted on the final SF 3100, Individual Retirement Record.
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**Rule** Individuals who elected to transfer to FERS and who are entitled to have service prior to the transfer computed under CSRS rules, receive credit for the amount of USL they had on the date of transfer or the date of retirement, whichever is less. In order to avoid a processing delay and provide proper credit to the retiree, OPM must receive both sick leave balances. If one is zero, a zero balance should be reported.

NOTE: A FERS annuity that does not have a CSRS component receives no USL credit.

NOTE: Some agencies post the USL balance on all transfer and final Individual Retirement Records and allow OPM to make the determination on whether or not the sick leave is creditable. This is very helpful to OPM.

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**Example** OPM receives a retirement package and the SF 3100 shows 300 hours of sick leave on the day of transfer to FERS, but there is no information provided about the USL balance on the date of retirement.

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**Action by OPM and Agency** OPM must contact the agency payroll office and request the sick leave balance at retirement. This information is required even if the balance is zero. The processing of the retiree's case must be suspended until the information is received.

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## CREDITING SICK LEAVE WITH A CSRS COMPONENT, Continued

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### How to Avoid the Problem

Agency Payroll Office staff should:

- Review the SF 3100 to make sure it shows accurate sick leave balances at the time of transfer to FERS and retirement.

Agency Personnel Office staff should:

- If a retiring employee transferred to FERS while employed with a different agency or the payroll office has closed, provide a copy of the transfer to FERS Personnel Action (SF 50) from the employee's Official Personnel Folder. Even if the unused sick leave balance is not provided on the SF 50, OPM will know the personnel office does not have the information. OPM will go directly to the payroll office to find out where the old payroll information is now stored. (If the employee has pay stubs showing unused sick leave at transfer to FERS, they could be helpful.)

NOTE: Although OPM may have Individual Retirement Records for prior service, these records may not provide this particular information.

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### CSRS/FERS Handbook Reference

Chapter 20, Part B2, Section 1-3.  
Chapter 81, Part A2, Section 2-2.B.

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# FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB) DOCUMENTATION

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**Problem 1** Retirement application packages sometimes do not include FEHB forms needed to support 5 years of continuous coverage prior to retirement or enrollment at first opportunity.

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**Rule 1** Retirees must have continuous health benefits coverage for the 5 years prior to retirement, or must have elected health benefits coverage at their first opportunity, if less than 5 years prior to retirement.

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**Example** OPM receives a retirement package and Schedule D (Agency Checklist of Immediate Retirement Procedures) of SF 3107 (FERS Application for Immediate Retirement), indicates that the applicant meets the requirements for continuation of health benefits coverage into retirement. However, there are no supporting documents to show proof of 5 years of continuous FEHB coverage.

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**Action by OPM and Agency** OPM must contact the agency and request the FEHB forms (SF 2809's and SF 2810's) that support the 5 years of coverage prior to retirement.

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**How to Avoid the Problem** Include all original FEHB forms (SF 2809's and SF 2810's) with the retirement package.

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**Problem 2** Health benefits coverage changes are made via Employee Express prior to retirement and not documented in the retirement package. OPM has no record of the individual's current health benefits status.

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**Rule 2** Eligible retirees carry their current health benefits coverage into retirement.

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**Example** An employee changes his health benefits plan during an annual Open Season using Employee Express and subsequently retires. The retirement package contains no record of this change. OPM continues the health benefits coverage shown on the last SF 2809 in the retirement package. The retiree receives an annuity statement and realizes that OPM is deducting premiums for the wrong health benefits plan.

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## FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB) DOCUMENTATION, continued

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**Action by OPM and Agency** OPM must contact the former employing agency for documentation of the Open Season change. Since the retiree has been separated from the agency for quite some time, it may be difficult to get the information needed.

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**How to Avoid the Problem** Attach a memorandum to the FEHB forms, which gives information about any changes made using Employee Express. The enrollment code change(s) and the effective date should be included.

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**CSRS/FERS Handbook Reference** Chapter 40, Job Aid #2, Health Benefits Forms

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# FERS DISABILITY FACTS

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## **Eligibility**

Eligibility Requirements:

- You must have at least 18 months of creditable civilian service.
  - While covered under FERS you must have become disabled “for useful and efficient service” in both your current position and any other vacant position at the same grade or pay level for which you are qualified.
  - Your disabling condition must be expected to last at least 1 year.
  - You must apply for Social Security disability benefits.
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## **Reasonable Accommodation**

Before you can be considered eligible for disability retirement benefits, your employing agency must determine that you are not qualified for reassignment to any other vacant position within your agency and commuting area at the same grade or pay level of the position you currently occupy.

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## **Filing an Application**

You or someone acting for you must file an application for disability retirement with the Office of Personnel Management (OPM) or your former employing agency either before you leave Federal service or within 1 year after you separate.

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## **Waiver of Timely Filing Rule**

The 1 year filing requirement can be waived only if you are mentally incompetent on leaving Federal service or become mentally incompetent within 1 year after leaving. If this occurs, your application will be accepted if filed within 1 year from the date you are restored to competency or a guardian is appointed, whichever comes first.

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## **Definition of Disabled**

You are disabled when the information submitted to OPM indicates that there is a service deficiency, caused by disease or injury, of sufficient degree to preclude useful and efficient service, and that the disabling condition is expected to last at least 1 year.

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## **Definition of Useful and Efficient Service**

Definition:

- Acceptable performance of the critical or essential elements of the position or the ability to perform at that level, and
- Satisfactory conduct and attendance.

NOTE: Service which is not “useful and efficient” is a level of performance or attendance which, if it were to continue, would warrant denial of a within-grade increase, demotion, separation, or other remedial action.

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## FERS DISABILITY FACTS, continued

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### **Claim**

#### **Documentation**

A claim for disability retirement must include documentation:

- Of deficiency in service with respect to performance, conduct, or attendance, or showing that the medical condition is incompatible with either useful service or retention in the position.
- Of a medical condition defined as disease or injury.
- That the medical condition caused the service deficiency.
- Showing the duration of the medical condition, both past and expected. The expected duration must be at least 1 year.
- That the inability to provide useful and efficient service arose while serving under FERS.
- Of the inability of the employing agency to make a reasonable accommodation to the medical condition.
- Of the absence of another position within the employing agency and commuting area, at the same grade or pay level and tenure, to which the employee is qualified for reassignment.

NOTE: Your agency will provide assistance in obtaining the required forms, statements from your supervisors and attending physicians, and proof that your condition prevents useful and efficient performance.

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### **Social Security and FERS**

If you are under age 62, your FERS disability must be offset by any Social Security disability benefits you receive. Since OPM does not know how much to pay you until it knows if Social Security is awarding benefits and the amount of those benefits, you must apply for Social Security disability benefits before OPM can begin paying a FERS disability benefit.

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## FERS DISABILITY FACTS, continued

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### **Acceptable Proof of Social Security Application**

Acceptable proof:

- A copy of the Social Security Administration's (SSA) receipt notice. This notice merely acknowledges that you have applied for Social Security disability benefits.
- A copy of your notice of approval letter from SSA. This letter approves you for Social Security benefits and provides the gross monthly amount to which you are entitled.
- A copy of your notice of disapproval letter from SSA. The most common reasons for benefits to be denied are because the medical evidence does not show that you meet Social Security's standard for awarding a disability benefit, or that you are "gainfully employed" as defined by Social Security.

NOTE: A denial from SSA based on gainful employment is not adequate information for OPM. Usually this means the employee was still on the agency's rolls and was not yet separated when he/she applied and he/she may in fact be entitled to Social Security disability based on his/her disabling condition. If your benefit is denied for gainful employment, you must reapply to SSA after separating from your last employing agency.

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### **Things to Keep In Mind About Social Security**

- Continue to keep OPM updated regarding your Social Security status if it changes. This includes the initial application, approval or disapproval as well as any appeal or reconsideration request. The need to update OPM on any changes in your Social Security disability status continues as long as you are applying for or receiving a FERS disability benefit.
- If SSA sends you a retroactive payment, notify OPM immediately. OPM cannot calculate the amount of the SSA offset until we know the gross monthly amount and the effective date of the SSA disability benefit. Overpayment by OPM will result if we are not immediately notified of retroactive SSA payments.
- For the purpose of a FERS disability retirement OPM is only concerned about Social Security disability benefits. There is no need to send us information about Supplemental Security Income or widow or widowers benefits.
- A verbal denial from Social Security is not acceptable proof of application or disapproval of SSA benefits. If you receive a verbal denial you must insist on receiving a written notice of receipt of application and a formal denial letter.

NOTE: You should understand how much you are entitled to receive from OPM and set aside money if you believe you are being overpaid. In the event of an overpayment, OPM will inform you of the overpayment amount and their repayment plan. If a retroactive payment is authorized by SSA, it should be set aside until OPM determines whether an overpayment of FERS disability benefits has occurred.

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## FERS DISABILITY FACTS, continued

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**Where to Apply for Social Security** Apply for Social Security benefits at your local Social Security office. For more information about Social Security call their toll free number at 1-800-772-1213. You can get Social Security information 24 hours a day and you may speak to a service representative from 7 am to 7 p.m. (Eastern Standard Time) on business days. Have your Social Security number handy when you call.

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**What if I recover?** You can request to be found recovered at any time. Your annuity will stop at the end of 1 year from the date of the medical examination or report showing your recovery, or upon your reemployment in the Federal Government, whichever is first.

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**Earnings Received While Disabled** You can earn income while also receiving disability retirement benefits; however, your disability annuity will stop if OPM determines that you are able to earn an income which is 80% of the current rate of basic pay for the position from which you are retired.

NOTE: If you are receiving a Social Security benefit, consult SSA concerning SSA rules about earnings and disability benefits. The rules are different for SSA.

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# FERS DISABILITY COMPUTATION FACTS

## Disability Retiree Under Age 62 at Time of Retirement and Not Eligible for Voluntary Immediate Retirement:

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**Benefit Payable for the First 12 Months** For the first 12 months of your FERS disability, you will receive:  
60% of your high-3 average salary  
minus  
100% of your Social Security disability benefit for each month you are entitled to such benefits.

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**Benefit Payable After First 12 Months Until Age 62** After the first 12 months and until you reach age 62, your annuity will be recomputed as follows:  
40% of your high-3 average salary  
minus  
60% of your Social Security disability benefit for any month in which you are entitled to such benefits.

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**Earned Rate** You are entitled to your “earned” annuity (generally, 1% x average salary x years of service) if it is larger than your disability annuity computed under the two disability formulas outlined above.

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**Benefit Payable at Age 62** Your annuity will be recomputed using an amount that essentially represents the annuity you would receive if you had continued working until the day before your 62<sup>nd</sup> birthday and then retired under FERS non-disability provisions. (The total service used in the computation is increased by the amount of time you were on the disability annuity roll and your average salary is increased by FERS cost-of-living increases during that time. The basic annuity formula (generally, 1% x average salary x years of service) is then applied, using the adjusted time base and average salary).

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## FERS DISABILITY COMPUTATION FACTS, continued

### Disability Retiree Age 62 or Older at Time of Retirement or Any Age and Eligible for Voluntary Immediate Retirement:

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**Benefit Payable** You are entitled to your “earned” annuity (generally, 1% x average salary x years of service). If you had at least 20 years of service and are at least age 62 at separation, your annuity is 1.1% of your average salary multiplied by your years and months of service.

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### Important Information For FERS Disability Retirees of All Ages:

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**Survivor Benefits** If you provide survivor benefits for your current spouse upon your death, the survivor annuity rate will be computed as follows:

- If you die **before age 62**, your spouse’s annuity will be one-half (or one-fourth if you elect a partial survivor benefit) of the amount of annuity to which you would have been entitled if you had died the day after becoming age 62. (The total service used in the computation is increased by the amount of time you were on the disability annuity roll, plus the amount of time between the date of your death and the date on which you would have become 62, and the average salary is increased by FERS cost-of-living increases during the time you were on the roll.)
- If you die **after becoming age 62**, your spouse’s annuity will be one-half (or one-fourth, if you elect a partial survivor benefit) of the annuity you were entitled to on the day before your death.

NOTE: If you do not elect survivor benefits and your spouse is covered by your self and family Federal Employees Health Benefits (FEHB) enrollment, he or she will not be entitled to continue it after your death. If you elect a survivor benefit, (even if that benefit does not cover the full cost of the health insurance premiums), and you have self and family health benefits coverage at the time of death, your spouse will be able to continue his or her coverage.

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**High-3 Average Salary** Your “high-3” average salary was figured by averaging your highest basic pay over any three years of consecutive service. Your basic pay is the basic salary you earn for your position. It includes increases to your salary for which retirement deductions are withheld, such as for shift rates, night shift differential, etc. It does not include payments for overtime, bonuses, etc.

NOTE: If you have less than 3 years of creditable civilian service, OPM uses your average salary during all of your creditable civilian service.

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