



**Retirement and Insurance Service
Benefits Administration Letter**

Number: 00-108

Date: June 2, 2000

Subject: Change in Procedures for Retirement Coverage Errors Resulting from the *Conner v. Office of Personnel Management* Decision

Background: Benefits Administration Letter (BAL) 98-114, dated November 3, 1998, provided agency personnel offices with guidance in notifying employees affected by the change in the 5-year test mandated by the *Conner v. Office of Personnel Management* decision.

As stated in BAL 98-114, the Office of Personnel Management (OPM) will waive a portion of the interest that normally accrues on service credit deposits because the error was directly caused by an erroneous OPM regulation. Our policy regarding the interest accrual on service credit deposits was as follows:

- § For employees who have fully completed payment of a service credit deposit and elect to remain in the Federal Employees Retirement System (FERS), no interest will be assessed on the additional principal now owed.
- § If the employee has made partial payment of a service credit deposit and elects to remain in FERS, interest on the additional principal amount will be assessed prospectively.
- § Interest will fully accrue on deposits for which the employee has made no payments and if the employee elects Civil Service Retirement System (CSRS) Offset coverage.

New Policy:

Because the above policy led to some inequitable situations, we have determined that interest accrual on service credit deposits for Conner employees will be as follows:

§ The additional principal owed due to Conner will not accrue interest, regardless of whether the employee elects CSRS Offset, Social Security, or FERS.

§ For nondeduction service performed after December 31, 1988, interest began to accrue on January 1, 1999.

Under this amended policy, an employee who has fully paid a pre-Conner FERS deposit will continue to owe only the additional principal owed because the deposit is now computed under CSRS rules. However, employees who were in the process of paying a pre-Conner FERS deposit will continue to accrue interest on the original pre-Conner FERS deposit, but not on the additional principal that became due with the Conner decision. Likewise, an employee who has made no service credit deposit payments will continue to accrue interest on the pre-Conner FERS deposit, but not on the additional principal. Deposits for nondeduction service performed after December 31, 1988, will first begin accruing interest on January 1, 1999.

Similarly, interest will be waived on the additional principal amount due for deposits for military service performed after December 31, 1956.

Deposit Calculations:

Calculate the amount of the service credit deposit for employees affected by the *Conner* decision in a 2-step process:

1. Calculate the amount of the pre-Conner FERS deposit. From this calculation you need only the interest portion.
1. Calculate the amount of the CSRS deposit for the same period of service used in step 1. From this calculation you need only the principal amount of the deposit without interest.

The total service credit deposit the employee owes for nondeduction service performed before January 1, 1989, is the sum of the interest portion calculated in step 1 and the principal calculated in step 2.

**Counseling
Employees:**

Agency personnel are responsible for the following:

- § Notifying employees affected by the Conner decision of the change in interest accrual for service credit deposits.
- § Providing employees with estimates of the deposits owed for nondeduction service and military service that was performed prior to the erroneous FERS coverage.

Regardless of whether the employee elects CSRS Offset or FERS, the amount of the deposit for Conner employees will now be the same. Therefore, employees who wish to change their prior retirement coverage election in light of the new procedures for interest accrual must be given an opportunity to make a new election.

**Making
Payments:**

Because of the unique nature of these service credit deposits, we ask that agency personnel annotate the Application To Make a Deposit or Redeposit (Standard Form 2803) with the phrase "Conner v. OPM Deposit Calculation". This will enable OPM to quickly identify service credit deposit applications that require an alternative computation.

**Additional
Assistance:**

As always, we are available to assist headquarters levels benefits officers in the handling of these cases. Questions should be directed to your agency liaison in the Benefits Officers Resource Center.



Mary Ellen Wilson, Director
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