

based on a separation that is later cancelled are considered erroneous payments that must be repaid to OPM. Agencies must deduct such payments from any back pay adjustment to which the employee may be entitled as required by 5 CFR 550.805(e).

(2) Amounts recovered from back pay will not be subject to waiver consideration under 5 U.S.C. 8470(b). If there is no back pay, or the back pay is insufficient to recover the entire erroneous payment, the employee may request that OPM waive recovery of the uncollected portion of the overpayment. If waiver is not granted, the employee must repay the erroneous payment.

[52 FR 2057, Jan. 16, 1987. Redesignated and amended at 57 FR 3714, Jan. 31, 1992; 58 FR 43493, Aug. 17, 1993]

#### § 841.508 Effective date.

The employee deductions specified in § 841.503 are effective on the later of the first day of the first pay period beginning in 1987 or the first day an employee is covered by FERS.

[52 FR 2057, Jan. 16, 1987. Redesignated at 57 FR 3714, Jan. 31, 1992]

### Subpart F—Computation of Interest

SOURCE: 52 FR 12132, Apr. 15, 1987, unless otherwise noted.

#### § 841.601 Purpose.

This subpart regulates the computation of interest under the Federal Employees Retirement System (FERS).

#### § 841.602 Definitions.

*Contributions or deductions* means the amounts deducted from an employee's pay or deposited as the employee's share of the cost of FERS.

*Individual Retirement Record* means the record of individual retirement deductions required by § 841.504.

*Last year of service* means the calendar year in which deductions stop on the Individual Retirement Record under consideration.

*Unexpended balance* means the unrefunded amount consisting of—

(a) Retirement deductions made from the basic pay of an employee under subpart E of part 841 of this chapter;

(b) Amounts deposited by an employee for periods of service (including military service) for which—

(1) No retirement deductions were made; or

(2) Deductions were refunded to the employee; and

(c) Interest compounded annually on the deductions and deposits at a rate which, for any calendar year, will be equal to the overall average yield to the Civil Service Retirement Fund during the preceding fiscal year from all obligations purchased by the Secretary of the Treasury during that fiscal year under section 8348(c), (d), and (e) of title 5, United States Code, as determined by the Secretary of the Treasury. Interest on deductions and deposits does not include interest—

(1) If the service covered by the deductions totals 1 year or less; or

(2) For a fractional part of a month in the total service.

*Year of the computation* means the calendar year when the unexpended balance is being computed.

#### § 841.603 Rate of interest.

For calendar year 1985 and for each subsequent calendar year, OPM will publish a notice in the FEDERAL REGISTER to notify the public of the interest rate that will be in effect during that calendar year.

#### § 841.604 Interest on service credit deposits.

(a) Interest on civilian service credit deposits is computed under § 842.305 of this chapter.

(b) Interest on military service credit deposits is computed under § 842.307 of this chapter.

(c) In the case of a retirement coverage error that was corrected under part 839 (pertaining to errors that lasted for at least 3 years of service after December 31, 1986) in which:

(1) A CSRS service credit deposit was made; and

(2) There is a subsequent retroactive change to FERS, the excess of the amount of the CSRS civilian or military service credit deposit over the FERS civilian or military deposit, together with interest computed under § 842.305 of this chapter, shall be paid to the employee or annuitant. In the case

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of a deceased employee or annuitant, payment is made to the individual entitled to lump-sum benefits under subpart B of part 843 of this chapter.

[52 FR 12132, Apr. 15, 1987, as amended at 57 FR 32155, July 21, 1992; 66 FR 15618, Mar. 19, 2001]

**§ 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—

(i) 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;

(ii) 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—

(A) Whose numerator equals the sum of—

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

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

(B) Whose denominator is 12.

(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; and

(3) For the year of the computation—

(i) If it is not the same calendar year that the deductions were withheld, 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 whose numerator is the number of full months that have been completed in the year of the computation and whose denominator is 12; or

(ii) If it is the same calendar year that the deductions were withheld, 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—

(A) Whose numerator equals the sum of—

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

(2) 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  $\frac{1}{12}$  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.